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Daily Report

China

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Daily Report

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General

Ren Jianxin at Asia-Pacific Law Conference

OW1708134795 Beijing XINHUA Domestic Service
in Chinese 0911 GMT 16 Aug 95

[FBIS Translated Text] Beijing, 16 Aug (XINHUA) — Today, at the 14th LAWASIA Conference and the Sixth Conference of Chief Justices of the Asia-Pacific Region, Supreme People's Court President Ren Jianxin delivered a speech entitled "Improve Understanding, Respect Each Other, and Vigorously Develop Friendly Cooperation Among Law Circles in the Asia-Pacific Region."

Ren Jianxin said: Economic development has become an issue that stands out in international relations. All countries attach importance to developing the economy and promoting economic cooperation, and giving priority to the economy has become a major trend in the world. Amid the spring tide of changes taking place in the world, the Asia-Pacific Region enjoys rapid economic growth, a huge increase in investment, and booming trade. Regional cooperation in broader spheres has been continuously fostered in the region. The strong momentum of economic development in the Asia-Pacific Region as well as the role it plays in international affairs and its influence, which waxes stronger day by day, has become the focus of world attention. The situation in the Asia-Pacific Region vividly shows that the world's desire for peace, nations' desire for development, and society's desire for progress are irresistible trends of the times. Such a situation naturally sets new and higher demands on law circles in the Asia-Pacific Region.

He said: In the past few years, proceeding from realities, the law circles in the Asia-Pacific Region has vigorously used laws to play a supportive, guiding, standardizing, and promoting role in safeguarding and maintaining social stability and in bringing about healthy economic development. Meanwhile, laws have become an effective weapon for resisting power politics and safeguarding national sovereignty and dignity from infringement. The tremendous efforts made by the law circles in the Asia-Pacific Region have been constructive in the establishment of a new international political and economic order, with peace and development as its main purpose. The convocation of the 14th LAWASIA Conference and the Sixth Conference of Chief Justices of the Asia-Pacific Region will surely promote further development.

Ren Jianxin said: While stepping up economic construction, China attached great importance to building a legal system. Immediately after China made the historical choice to establish a socialist market economic system, it began setting up a legal framework for a socialist market economy. Treating the efforts to "protect the peo-

ple, punish criminals, promote reform, and serve the four modernizations" as their main tasks, China's judicial organs persisted in strictly enforcing laws wherever they are provided, investigating all law violations, and severely punishing various criminal activities that had caused serious harm to public security and the economy; standardized an order for the socialist market economy and regulated various economic relations in accordance with the law; effectively protected the legitimate rights and interests of citizens, legal persons, and other organizations; and strived to create a stable and peaceful environment of rule by law for the smooth progress of modernization. As a basic national policy, opening up is applicable not only to economic construction but to the building of a legal system. While actively summing up the new experience in legislation and administration of justice gained since the implementation of reform and opening up, China referred to the practical experience of every other country in the world in legislation and administration of justice, reflecting the common pattern of a modern market economy. China will continuously step up its efforts to promote socialist democracy and build a legal system and will take a firmer step forward to regulate the economy and the society in accordance with the law.

Ren Jianxin said: All sorts of feelings truly well up in one's heart when one looks back on the rough and rugged course the 20th century has taken. The Asia-Pacific Region, which nurtured and gave birth to the civilizations in the Orient, suffered aggression, was enslaved and victimized, and experienced the humiliation of long-term colonial rule. During World War II, the region underwent untold sufferings brought on by the war of aggression launched by Japanese militarism. Its economic and social development was impeded. As a result, poverty and backwardness still exist to a considerable extent in the Asia-Pacific Region today. Therefore, the demand to build a new world where peace, cooperation, justice, equality, and mutual respect prevail and one that enjoys common development, widespread prosperity, and continuous progress has become the loudest call voiced by the people of the Asia-Pacific Region. At a time when the world is about to ring out the old century and ring in a new one, a conference of law experts in the Asia-Pacific Region was solemnly convened. Their pursuit of justice, equality, and fairness and their desire to use the force of law to help push the great wheels of history in the direction of peace and development will surely win the fullest support from the people in the Asia-Pacific Region and the rest of the world.

In the spirit of the five principles of peaceful coexistence, Ren Jianxin proposed four principles with a view to fully realizing the theme — "The Important Role of

Law in Economic Development in the Asia-Pacific Region on the Way to the 21st Century" — put forward by the conference and actively promoting cooperation among the law circles in the Asia-Pacific Region in the future:

1. Respect each other and treat each other fairly and with equality. Only when all countries in the Asia-Pacific Region respect each other, get along with each other harmoniously, and treat each other with equality can they reduce troubles and disputes and contribute to maintaining peace and stability in the Asia-Pacific Region as well as achieving common development and progress. It is necessary for law experts of every country to uphold resolutely the legal principle of justice and equality, vigorously bring into full play the important role of laws, and promote continuous enhancement of friendly cooperation between nations.

2. Conduct extensive exchanges and seek common ground while reserving differences. Law circles of every country should have the breadth of mind to learn widely from the strong points of every other country in the world; learn from each other; draw on collective wisdom and absorb all useful ideas; learn from others' strong points to offset their own weaknesses; seek common ground while reserving differences; and strive to foster more new points for cooperation. Thus, law circles in the Asia-Pacific Region can play an even more active role and effectively promote economic construction and social development in the region.

3. Offer better assistance and use laws to standardize conduct. People need close international cooperation to meet the numerous challenges facing them today. They need to conscientiously abide by the standards agreed upon and strengthen legal cooperation in every aspect to achieve healthy development in an orderly way. In this connection, law experts in the Asia-Pacific Region must make vigorous efforts to establish and develop a relation of judicial assistance among nations and to provide one another with effective legal services and judicial support.

4. Promote development and common prosperity. At present, all nations in the Asia-Pacific Region face the arduous task of promoting their own economic development and prosperity. They generally give priority to economics and place it in a crucial position in handling relations with other nations. In this connection, the role of law as an authority in regulating economic relations, standardizing economic order, eliminating economic disputes, and promoting economic development must be brought into full play to solve justly various civil, economic, intellectual property rights, and maritime disputes and to improve further the investment

environment, open up markets for trade, promote scientific and technological progress, expand economic cooperation, realize equality and mutual benefit, and bring about common prosperity in the Asia-Pacific Region.

Meets Chief Justices

OW1708135195 Beijing XINHUA in English
1328 GMT 17 Aug 95

[FBIS Transcribed Text] Beijing, August 17 (XINHUA) — Ren Jianxin, member of the Secretariat of the Chinese Communist Party Central Committee and president of the Supreme People's Court, met with chief justices attending the Sixth Conference of Chief Justices of Asia and the Pacific and leading members of the LAWASIA in the Great Hall of the People here tonight.

Delegation Official on World Fishery Issues

OW1708145195 Beijing XINHUA Domestic Service
in Chinese 1126 GMT 9 Aug 95

[Special Interview by XINHUA reporters Li Jianxiong (2621 0256 7160) and Gao Jianxin (7559 1696 2450): "Zhuo Youzhan, Deputy Head of the Chinese Delegation to the UN Fishery Conference"]

[FBIS Translated Text] United Nations, 8 August (XINHUA) — The UN Transboundary and Highly Migratory Fishes Conference adopted the "Accord on the Implementation of the Regulations Concerning the Conservation and Management of Transboundary and Highly Migratory Fishes of the 10 December 1982 United Nations Convention of the Law of the Sea."

At a special interview with these reporters a few days ago, Zhuo Youzhan, head of the Chinese delegation to the conference, pointed out: The world fishery of today has entered an era of conservation and management from the era of free fishing. If we say the adoption and signing of the 1982 Convention of the "United Nations Law of the Sea" meant the end of the era of the 200-nautical-mile free fishing, then the adoption and signing of this accord of implementation means that the era of free pelagic fishing will come to an end.

Transboundary and highly migratory fishes refer to the clusters of fishes which live in the sea waters of the various countries' 200-nautical-mile economic zones and the high seas. They mainly include tuna, swordfish, marlin [7456 2651], cod, and pollack. Since the adoption of the Convention of the "United Nations Law of the Sea," coastal countries have been able to control fishing operations within the economic zones under their jurisdiction. However, they have felt quite helpless in regard to the fishing for transboundary and

highly migratory fishes by pelagic fishing countries outside their economic zones.

Zhuo Youzhan said: Before various countries exercised the 200-nautical-mile jurisdiction, the output of pelagic fisheries accounted for only about 5 percent of the output of the world's ocean fisheries. Since they began exercising 200-nautical-mile jurisdiction, the ratio of high seas fisheries in the world's ocean fisheries output has increased to a range of 8 percent to 10 percent. Moreover, fishing disputes on the high seas have kept on rising. The fishing dispute between Canada and the European Union last spring was a typical case.

He said: Overfishing and excessive utilization of the world's current marine resources has resulted in a decline in traditional fishing resources that has affected about 70 percent of the world's fishes. Transboundary and highly migratory fishes make up 20 percent of the output of the world's ocean fisheries. They are the targets of high seas fisheries. This being the case, to successfully conserve and manage the fish resources inside and outside the economic zones, compatible and non-conflicting measures should be taken.

Zhuo Youzhan, chief economist of the Chinese Ministry of Agriculture and director of the Fisheries Administration, said: "Implementing high seas fisheries legislation will help unify and standardize the behavior of high seas fisheries so that those fisheries will become institutionalized and standardized, help conserve and manage the fishery resources inside and outside the economic zones as a whole, and help achieve the goal of long-term sustainable utilization."

He explained: The "Convention of the Law of the Sea" stipulated: "The high seas are open to all nations" and "all nations have the right to let their citizens catch fish on the high seas." At the same time, it also defined the obligation to conserve and manage biological resources on the high seas. The currently adopted accord draft, which took three years and six meetings to finish, was the concretization and development of these rights and obligations.

Zhuo Youzhan expounded to these reporters the Chinese Government's 3-point stand on pelagic fishing:

First, both regional and subregional pelagic fishery resources should really be shared by various countries, and special consideration should be given to the special needs of developing countries, which have not yet had high seas fisheries or whose high seas fisheries are weak. No one should discriminate against them. Any action of secretly dividing up pelagic fishery resources by a small number of countries in the name of conservation and management will be opposed.

Second, all pelagic fishing countries and coastal countries should strengthen cooperation and jointly bear the obligation to conserve and manage the fishery resources in the high seas and their economic zones. Any behavior of fishing in wanton disregard of the present state of resources, which disrupts the marine ecological environment, will be opposed.

Third, pelagic law enforcement should be fair, strict, and impartial. Fishery resources should be managed according to law. Laws should be enforced in strict accordance with the regulations and procedures. Any behavior disrupting the normal fishery production order on the high seas and encroaching upon other countries' interests by abusing the rights, especially by using force, will be opposed.

He also noted that Taiwan is one of the Chinese provinces with a rather developed high seas fishing industry. Taiwanese fishermen have the obligation to abide by relevant international laws and regulations; and, at the same time, their right to conduct normal operations on the high seas should also be protected.

Zhuo Youzhan said: China is a coastal country and also a developing one that fishes on the high seas. China is ready to cooperate closely with regional fishing administrative organizations the world over. It is also looking forward to developing, on the basis of equality and mutual benefits, bilateral fishery cooperation with all nations — coastal and island nations in particular — and working together with them in protecting, managing, and rationally utilizing the marine fishing resource, in establishing and maintaining a new order of fishery production and making contributions to ensure the long-term, sustained exploitation of the world's fishing resources for the benefit of future generations.

Speaking of domestic fishing regulations, Zhou Youzhan said: Laws and regulations adopted a dozen or so years ago do not cover fishing on the high seas and no longer meet today's needs; moreover, relevant departments have failed to coordinate as closely as they should have in implementing them. He called for early adoption of fishery laws and regulations that are consistent with international laws in order to facilitate China's fishery industry.

United States & Canada

Qian Qichen, U.S. Official Discuss Ties

OW1808082295 Beijing XINHUA in English
0811 GMT 18 Aug 95

[FBIS Transcribed Text] Beijing, August 18 (XINHUA) — Chinese Vice-Premier and Foreign Minister Qian Qichen said here today that the US side should promise

and make sure that incidents like Li Teng-hui's visit to the United States must not happen again.

He made the remark when meeting with Nancy Kassebaum, chairwoman of the Labor and Human Resources Committee of the US Senate, and US Senator Jeff Bingaman, separately, here today.

During the two meetings Qian noted that the issue of Taiwan is at the core of Sino-US relations, but some US congressmen hold that Li's US tour was a "private" one and it was not very important. However, Qian stressed, for China it is a major issue of principle relating to China's sovereignty and reunification.

The three Sino-US joint communiques are the basis for the development of the bilateral relations between the two countries, and were observed by the last six US presidents, but there appeared a sudden change recently, Qian noted.

China has not put any further requirements on the US since the two established diplomatic ties, Qian said, adding that China only hopes that the US side will strictly abide by the three joint communiques.

The Taiwan authorities do not regard Li's US tour as a "private" one, Qian said, adding that they have their own political purpose aiming at the independence of Taiwan and splitting China. "this cannot but arouse our serious concern," Qian said.

He said he hoped that the US congressmen would fully understand the seriousness of Li's US visit.

It is easy for the US side to eliminate the negative influence of Li's US visit on Sino-US relations, Qian said, adding that the US side should promise and make sure that such an incident will not recur.

China is willing to increase contacts and exchanges with the US Congress and welcomes more US congressmen to visit China, Qian noted.

Kassebaum and Bingaman are in China on a visit as guests of the Chinese People's Institute of Foreign Affairs.

Commentary Sees 'Disarray' in U.S. Policy

HK1808024495 Hong Kong WEN WEI PO in Chinese 15 Aug 95 p B3

[From the "Forum" column, article by Lin Ling (2651 0407): "Disarray in U.S. China Policy"]

[FBIS Translated Text] U.S. Secretary of State Warren Christopher said in Kuala Lumpur on 3 August that the expulsion of two U.S. Air Force attaches from China should not affect the "forward momentum in Sino-

U.S. relations." In addition, he reiterated that his two-hour "meeting in Brunei" with Qian Qichen was very "constructive," and had placed Sino-U.S. relations "back on a forward path" after the damage done by the U.S. Government's decision to allow Li Teng-hui to visit the United States.

Certainly the desire to improve Sino-U.S. relations is welcome. This is because once this desire materializes, it will be beneficial to China and the United States, and conducive to peace and stability in Asia Pacific region and in the rest of the world. This is also the reason why China has made longstanding efforts to promote the healthy development of Sino-U.S. relations.

The Chinese foreign minister and his U.S. counterpart met in Brunei on 1 August. Normally, before the meeting, both sides would neither say nor do anything harmful to their relations so as to help the progress of the meeting. On 23 July, however, the United States sent two spy officers from Hong Kong to China to acquire military intelligence; they were then caught on 29 July. China announced their expulsion on 2 August.

Since the "facts are clear and the evidence is irrefutable" with regard to the erroneous acts of the two U.S. military spies, their violation of the Chinese "Law on the Protection of Military Facilities," "Law on National Security," and "Law on the Management of the Entry and Exit of Foreigners" is undeniable. The Chinese authorities, however, "dealt with them leniently." The Foreign Ministry only expelled the two attaches after summoning U.S. Charge d' Affaires Scott Halford, and making a solemn representation and lodging a strong protest with him against this incident. Apparently China made this move because it did not want to see the soured Sino-U.S. relations deteriorate further, which would do no good to any quarter.

It is understood that two hours before the Chinese foreign minister held talks with his U.S. counterpart on 1 August, Christopher was informed by China that the incident was "dealt with leniently." He thus was at ease and later made the remark that it should not affect "the forward momentum in Sino-U.S. relations."

Both the U.S. Defense and State Departments are "major departments" under Bill Clinton. As is well known, Defense Secretary William Perry did not think highly of Secretary of State Christopher because the latter's "diplomatic defenses" in Somalia, the Middle East, and Bosnia often suffered setbacks, and he even relied on former President Jimmy Carter to resolve the "thorny issue of Haiti." Christopher gave the Defense Department the deep impression that he was "incompetent." Thus, it is not surprising that behind Christopher's back, Perry sent two military officials from Hong

Kong to China on 23 July to "handle matters." This is also viewed as "disarray in the Clinton administration's China policy." Christopher Later gave tit for tat, demanding that the government carry out an inquiry into why the Pentagon sent the pair to "observe military maneuvers" in the coastal areas of China because it would "create trouble" for his talks with Qian Qichen.

It is unlikely that Clinton was unaware of the Defense Department's espionage. It really is hard to understand why he did not stop it. He allowed the espionage while arranging for a meeting between Christopher and Qian. Clinton seems to have been in a state of utter stupefaction in handling Sino-U.S. relations.

A Sino-U.S. summit meeting would be the best channel for pushing for an early "thaw" in Sino-U.S. relations. This is why Clinton wrote to Jiang Zemin. In his letter, the U.S. President made it clear to his Chinese counterpart that the United States' pledged "one China" policy remains unchanged. On the other hand, Christopher said that he cannot rule out the possibility of Li Teng-hui's future visits. Li Teng-hui's U.S. visit, no matter in what form or name, grievously ran counter to U.S. pledges. It is also very ridiculous to say that China must release Harry Wu Hongda before the third Clinton-Jiang meeting can be arranged. How can it be workable to "legalize" U.S. interference in China's internal affairs by "linking" the improvement of Sino-U.S. relations with China's exercise of judicial powers?

Northeast Asia

Japanese Education Minister's Remarks Viewed

HK1808015295 Beijing RENMIN RIBAO in Chinese
12 Aug 95 p 1

["Commentary" by staff reporter Zhang Guocheng (1728 0948 2052): "Covering Up History of Japan's Aggression Is Never Allowed"]

[FBIS Translated Text] Tokyo 11 Aug (RENMIN RIBAO) — On the eve of the 50th anniversary of Japan's surrender on "15 August," at a time when the world's people, and especially the people of various countries in Asia, are marking the 50th anniversary of victory in the war of resistance against Japan, Japan's newly appointed Minister of Education, Yoshinobu Shimamuru, made a speech blatantly covering up the nature of Japan's aggressive war. This was another provocation to the people of various countries in Asia.

Over the past 10 years, four Japanese cabinet members have been forced to resign because of their speeches distorting the nature of the war. The recent speech by Shimamuru was somewhat different from those of his predecessors in form, but its evil intentions were the

same as in their speeches. His predecessors flagrantly said that the Nanjing Massacre was "fabricated," and that Japan took part in the war for "survival and self-defense." Though Shimamuru was equivocal in his recent speech, he and his predecessors shared the same evil intentions. The core of Shimamuru's speech was precisely "the theory that war does not involve being right or wrong."

Now let us take a look at Shimamuru's "witty argument": Both sides involved in a war want to attack their opponents. The side that wins also has invaded the other side. This being the case, whether or not the war Japan waged was aggression was just a matter of "different views between different people." In addition, he juggled with terms at length, and attempted to give a definition to war. According to him, war is precisely the expansion of individual slaughter. War is precisely the behavior of killing or being killed in terror.

To the eyes of this minister of education, the difference between aggression and being invaded in the wars of mankind does not exist, nor does the difference between justice and injustice exist. He attempted to cover up the nature of Japan's invasion of other countries with the theory that war "does not involve being right or wrong." Nevertheless, this was a vain attempt. We would like to ask Mr. Shimamuru: A war took place half a century ago in which Japan slaughtered people, seized the territories of other countries, and even occupied their capital cities — did all this not fall in the category of aggression? Does it involve "different views between different people?" What is aggression? Please refer to the authoritative dictionary "Guang Ci Wan" [1639 6588 5463], a Japanese publication, which gives the definition: "Aggression means invading another country, seizing its territory, and plundering its wealth and resources." Japan's behavior during World War II coincided with this definition. It seems that this minister of education needs to start learning the ABCs of the Japanese language.

Shimamuru described the war of resistance against Japan by people of various countries in Asia as one in which "one either killed or was killed." We must never allow some people to profane the heroic spirit of the antifascist fighters of Asia and the world. People of various countries did not go to Japan to slaughter people and set fire to their houses, nor did they want to engage in a war in which "one either killed or was killed." The fact that they were forced to rise and resist was precisely because of Japanese aggression. This being the case, they were the armies of a just cause, resisting aggression, safeguarding justice, and defending their own countries and peoples. In his speech, Shimamuru

has equated the aggressors with those resisted them; there he had an axe to grind.

In his speech, Shimamura touched in particular on the issue of historical education. He said that at present, the populace that has not experienced war accounts for 70 percent of the total population; Japan will soon enter an era that is entirely ignorant of the war. Such being the case, the practice of repeatedly apologizing for the war could be unwise. Obviously, he wanted to conceal what Japan had done in the war from the younger generation in Japan. It is doubtful that Japan is able to correctly conduct education in history among its younger generation when a minister of education, who is fully prejudiced historically, is in charge of education.

It has been learned that shortly before Prime Minister Murayama formed his cabinet, he agreed to setting a condition for entering the cabinet based on one's position on the war issue. At that time, Shimamura raised no objection to that point. Nevertheless, he made the aforementioned speech when the ceremony of authentication was hardly over, regardless of the prime minister's warning. That being the case, we may put it that Shimamura was playing a double game, but his speech was also the manifestation of his own reactionary concept of history and war.

Out of pressure both at home and overseas, Shimamura was compelled to meet with reporters on 10 August, and he hypocritically read aloud Prime Minister Murayama's understanding of the war as his own statement, but he did not acknowledge his mistake. On the contrary, he defended himself, saying that he did not make himself clear enough, thus arousing the "misunderstanding" of neighboring countries. What was more ridiculous was that in his defense, he said that he did not oppose the expression of apology, but in comparison, he believed that practical action in compensation was more important than an oral apology. That was deceiving himself, as well as others. How can we expect someone who will not knowledge an aggressive war, and believes that "the practice of repeated apology for the war could be unwise" to "compensate" for issues left over from the war?

The 50th anniversary of Japan's 15 August surrender is approaching. The international community is focusing its attention on the issue of the attitude with which Japan faces this particular day. The fact that a minister of education of the Japanese cabinet could make such a speech on such occasion can only rouse the unhappiness of various countries in Asia that have suffered from Japanese aggression.

Zhang Zhen on War Against Japanese Aggression

*HK1808084695 Beijing RENMIN RIBAO in Chinese
19 Jul 95 p 3*

[Article by Zhang Zhen: "Carry Forward Patriotic Tradition and Promote the Invigoration of the Chinese Nation — Preface to the Book Series 'A Record of China's War of Resistance Against Japan' Published by the Jiefangjun Literature and Art Publishing House"]

[FBIS Translated Text] It has been 50 years since China won the War of Resistance Against Japan. The book series entitled "A Record of China's War of Resistance Against Japan," which has been published by the Jiefangjun Literature and Art Publishing House, is a true and vivid reproduction of the magnificent-scale historical scroll of China's War of Resistance Against Japan, reminding people of those moving and tragic years when the flames of war raged everywhere. Reading this book series, we veteran soldiers who have personally experienced this great national war of liberation especially feel an upsurge of emotion and aspirations when reflecting on the past in light of the present.

The War of Resistance Against Japan, which concluded half a century ago, was a great and just war against the aggression of the Japanese imperialists, and for national independence and liberation. Including the anti-Japanese guerrilla warfare carried out by the people of the northeast under the leadership of our party in the wake of the 18 September Incident in 1931, China's War of Resistance Against Japan actually lasted for 14 years. While the Kuomintang regime was following a policy of nonresistance and placing all its hopes on the mediation of the League of Nations, the provisional central government of the Soviet Republic of China under the leadership of our party issued an official "Declaration of War Against Japan" in April 1932, mobilizing soldiers and civilians throughout China to defend their own country. The 7 July Incident in 1937 marked the beginning of Japan's overall invasion of China. Under the banner of the anti-Japanese national united front advocated by the Communist Party of China and Comrade Mao Zedong, and on the basis of the second collaboration between the Kuomintang and the CPC, the entire Chinese nation persistently fought the war against Japanese aggression for eight years. During the long years of war, the Chinese people surmounted inconceivable difficulties, sacrificed many, and fought an extremely hard battle against the aggressors. Rewriting China's historical record of repeated defeats by foreign aggressors in modern times and wiping out the national disgrace brought on China during the 100 years since the Opium War, the War of

Resistance Against Japan has proved to be the country's first complete triumph over foreign aggressors, as well as a significant turning point for the Chinese nation to head from decline to rejuvenation.

China's War of Resistance Against Japan was also a glorious chapter in the World War against fascism, and it raised the curtain on that war. With the sudden rise of fascism in Japan, Germany, and Italy posing an unprecedentedly grave threat to world peace, the Chinese people were the first to hold high the banner of justice against foreign aggressors, and beyond all doubt they played an encouraging and guiding role for people throughout the world in their efforts to wage an anti-fascist war. As a major country on the world's anti-fascist united front, as well as a main battlefield of the anti-fascist war in the East, China successfully pinned down and repulsed the main force of the Japanese imperialist army during the War of Resistance Against Japan; provided a strategic screen and support for its allied countries, including the Soviet Union, the United States, and Britain; and did its part in coordinating operations on both the European and Pacific battlefields. The Chinese people made indelible contributions during the war to conquering and eliminating fascism, safeguarding world peace, and maintaining human dignity. For this, the Chinese people made a huge sacrifice unprecedented in military history — a total of over 3.5 million soldiers and civilians were injured or laid down their precious lives during the war.

Compared with 50 years ago, China and the world today have undergone tremendous changes. Under the leadership of the CPC, the Chinese people currently are engaged in the great cause of building socialism with Chinese characteristics. Today, the Chinese people, who stood up long ago, are heading toward the grand target of rejuvenating the country and the nation, and of ranking China among the world's advanced modern countries. However, no matter what changes have taken place or how a country has developed, history will always serve as a textbook, and historical experiences will always provide people with inspiration and exhortations. It is precisely because of this that Comrade Deng Xiaoping, under the new situation of reform, opening up, and the modernization drive, has told us repeatedly to keep history firmly in mind; to educate our younger generation, as well as our people, with the history of the Chinese nation, which fears no power, always strives to become stronger, and engages itself in hard struggles; and to help our people establish national self-confidence and self-esteem, as well as a sense of historical responsibility in their bid to rejuvenate the nation and develop the country. This is a spiritual motive power that is indispensable in

our efforts to realize the grand program of socialist modernization.

The longstanding and well-established spirit of patriotism cherished by the Chinese nation showed its tremendous unifying force and appeal during the War of Resistance Against Japan. During those days, the common aspirations of "saving the nation by waging a resistance war against Japan" and "not becoming the subjects of a conquered nation" played a role in mobilizing thousands upon thousands of people from all social classes, all social strata, and all parties and factions, to form a most extensive united national front, and also encouraged the people throughout the country to share a bitter hatred of the enemy, and to wage an unyielding and daring battle against the Japanese aggressors. The practices of the victorious War of Resistance Against Japan have proved that the Chinese nation has the heroic spirit of daring to fight its enemy to the bitter end, the determination to rejuvenate itself on the basis of self-reliance, and the ability to stand proudly in the family of nations. Patriotism is an eternal main historic theme for the Chinese nation in its bid to attain self-existence and self-reliance, to exert itself to keep forging ahead, and to achieve prosperity and growth.

In modern China, patriotism and socialism are a unified whole. Rejuvenating the Chinese nation and bringing prosperity to the country through socialism on the basis of victory in the democratic revolution are an unquestionable historical conclusion drawn by the Chinese people from their protracted struggles during the past years. It is just as Comrade Deng Xiaoping has said: Only socialism can save and develop China. The great cause of building socialism with Chinese characteristics, in which we currently are engaged, is where lie the ultimate interests of the people of all nationalities in the country. It is also the symbol of our national unity, national reunification, and social progress. Without socialism, which is the biggest reality of today's China, you cannot begin to talk about patriotism, for the latter will become soulless without the former. Patriotism is always concrete, not abstract, and all along has embodied the will, interests, aspirations, and pursuit of the entire nation, as well as the masses of the people. By advocating education in patriotism and devotion according to the requirements raised by Comrade Jiang Zemin, we aim to bring up civilized and well-disciplined people who love the Communist Party, the socialist cause, the people, and the motherland; who have lofty ideals and high moral standards; and who regard the country's socialist modernization drive as their own duty, exert their utmost in their work, and are willing to make personal sacrifices whenever necessary. All these things are concrete manifestations of patriotism in our age.

The present growth of our country, and the achievements it has attained, all are linked historically with our victories in the past, including the great victory in the War of Resistance Against Japan. Reviewing our struggles and victories in the past, summarizing the basic experiences we have gained from history, and keeping firmly in mind the glorious traditions of our party and Army can guide and encourage us to strengthen our lofty ideals so that we can press ahead with redoubled efforts toward a magnificent future.

The victory in the War of Resistance Against Japan was the victory of the people's war of the entire nation. The Communist Party of China and the People's Army led by the party were a decisive force in fighting and winning final victory in the protracted resistance war. Right at the start of the war, the party, under the leadership of Comrade Mao Zedong, had drawn up promptly a correct line aimed at mobilizing people throughout the country to stage nationwide resistance. The Eighth Route Army, the New Fourth Army, and the local armed resistance forces in the northeast and southern parts of the country penetrated far behind enemy lines, immersed themselves in the masses of the people, conducted independent guerrilla warfare, and set up democratic resistance bases. During the long-term struggles against the enemy, the resistance armies and civilians in the enemy's rear upheld the practice of integrating main formations with local ones, and militia forces and armed masses with unarmed masses. They employed flexible strategies and tactics in conducting extensive mass guerrilla warfare; smashed the enemy's large-scale "mopping-up" and "combing-out" operations; and defeated the enemy's atrocious policy of "burning all, killing all, looting all." During the entire course of the War of Resistance Against Japan, the Communist Party of China, the armed forces led by the party, and the people of the resistance base areas were the main body of the resistance war staged in unity by the entire nation, playing their role as the mainstay. The rich experiences of people's war accumulated during the War of Resistance Against Japan are precious to the People's Army in its efforts to oppose wars of aggression. Alongside the development of the times, as well as the changes in operational conditions, the concrete patterns of people's war inevitably will undergo corresponding changes, and they will not, and cannot be restricted to a fixed model. However, the ideology and strategy of people's war will never become outmoded, for only such progressive wars can win the support of, and be welcomed by the masses of the people. A most important reason for our Eighth Route Army, New Fourth Army, and local armed forces, such as the Anti-Japanese Amalgamated Army of the northeast and the guerrillas in south China, becoming a main force in beating back the attacks of the Japanese ag-

gressors and in winning magnificent victories during the War of Resistance Against Japan is that they unswervingly upheld the absolute leadership of the party. The history of this period once again has proved that it is a fundamental principle guiding army building that the party should exercise absolute leadership over the Army. We should never waver in upholding this principle. During the War of Resistance Against Japan, our Army gained basic experience and developed fine traditions — under the leadership of our Army — in building a people's army, in conducting a people's war, and in formulating strategies and tactics for a people's war. All these experiences and fine traditions still have great significance today for building a revolutionized, modernized, and standardized people's army; safeguarding peace; and winning antiaggression wars that may take place in the future.

During the more than two decades since the 1920's, the Chinese people, led by the Communist Party, achieved victory in the new democratic revolution and realized the goals of state unification, national independence, and people's liberation, thus ushering in a new era in the history of the construction of New China. During the nearly 50 years since the founding of New China, the Chinese people not only have succeeded in establishing a socialist system, they also have found the correct road for building socialism with Chinese characteristics through painstaking efforts and explorations, and have won great triumphs in carrying out the socialist cause. From the present to the mid 21st century, the people of our country will take another 50 years to achieve the goal of socialist modernization, which will be a new, grand take-off point in the development of the Chinese nation. Viewing in retrospect our work over years past, we should feel proud of ourselves. When looking to the future, we should be all the more confident of winning future victories. People of all nationalities in the country, and officers and men throughout the Army should rally closely around the party Central Committee with Comrade Jiang Zemin as the core; uphold the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics; never waver in carrying out the party's basic line for 100 years; vigorously promote the spirit of patriotism cherished by the Chinese nation; carry forward and develop the party's fine work style and revolutionary traditions; engage in hard struggles with concerted efforts; and strive to build our country into a prosperous, democratic, and civilized socialist modern country, and our Army into a modernized and standardized powerful revolutionary army.

Near East & South Asia

State Councillor Luo Meets Saudi Crown Prince

OW1508155095 Beijing XINHUA in English
1444 GMT 15 Aug 95

[FBIS Transcribed Text] Kuwait City, August 15 (XINHUA) — Saudi Arabian Crown Prince and First Deputy Prime Minister Abdallah Ibn-'Abd-al-Aziz met today with visiting Chinese State Councillor Luo Gan in the Red Sea coast city of Jeddah, sources of the Chinese Embassy in Riyadh said.

The sources said their talks covered the economic and political ties between China and Saudi Arabia.

The two sides expressed satisfaction at the speedy progress achieved by the two countries on diplomatic relations which were established in July 1990.

On Monday [14 August], Luo Gan met with Saudi Second Deputy Premier and Minister of Defense and Aviation Prince Sultan Ibn-'Abd-al-Aziz.

Luo Gan will leave Jeddah later today for Riyadh where he will convene with Saudi Foreign Minister Prince Saud al-Faisal and President of the Shura Council Shaykh Mohammad Bin-Jabir.

Luo Gan, who arrived in the kingdom Sunday from Kuwait, is scheduled to leave the kingdom Wednesday for the United Arab Emirates.

The last leg of Luo Gan's Middle East tour is Turkey.

Luo Gan Meets Emirian Education Minister

OW1808012195 Beijing XINHUA in English
2004 GMT 17 Aug 95

[FBIS Transcribed Text] Abu Dhabi, August 17 (XINHUA) — Chinese State Councillor Luo Gan, leading

a delegation on a Middle East tour, met here today with Nuhayyan Bin-Mubarak Al Nuhayyan, Minister of Higher Education of the United Arab Emirates (UAE).

Luo Gan, also Secretary-General of the State Council, arrived here Wednesday night from Jeddah, Saudi Arabia. He held talks with Shaykh Nuhayyan on regional and international issues and ways to boost bilateral relations.

During the meeting, Shaykh Nuhayyan praised the Chinese position to maintain world peace and support the Palestinian cause, describing it as identical with the UAE.

He said that the UAE is paying close attention to the development of China and its policies of reform and opening to the outside world, which have led to obvious improvement of the people's living standard.

Luo Gan said China highly appreciated the UAE's non-aligned foreign policy, its important role in safeguarding the stability of the Gulf region and its support for the Palestinian causes.

He also expressed admiration for the speedy development the UAE. He said the advanced technology and installations of the Abu Dhabi desalination project, which he visited this afternoon, gave him a deep impression.

Luo Gan's visit is within the framework of a four-state Middle East tour also including Kuwait and Saudi Arabia and Turkey.

On Saturday, the delegation will leave the UAE for Turkey.

Political & Social**Propaganda Department Views Studying Deng Theory**

OW1708134695 Beijing XINHUA Domestic Service
in Chinese 2117 GMT 12 Aug 95

[FBIS Translated Text] Yantai, 13 Aug (XINHUA) — The CPC Central Committee Propaganda Department recently held a meeting of the heads of provincial, autonomous regional, and municipal party committee lecturing groups in Yantai to comprehensively implement the guidelines of the "CPC Central Committee Circular on Printing and Distributing the 'Outline for Studying Comrade Deng Xiaoping's Theory on Building Socialism with Chinese Characteristics,'" to bring into full play the important role of the "outline" in in-depth theoretical study, and to further promote the development, both in depth and breadth, of the theoretical study drive.

Heads of the provincial, regional, and municipal party committee lecturing groups and comrades in charge of the Work Committee of Organs under the Central Committee, the Work Committee for Central Government Organs, the Propaganda Department of the People's Liberation Army [PLA] General Political Department, and the Shandong Provincial CPC Committee Propaganda Department attended the meeting. Liu Yunshan, deputy director of the CPC Central Committee Propaganda Department, chaired and addressed the meeting.

Participating comrades unanimously held: Since the 14th National Party Congress, the party Central Committee has placed greater stress on the work of using Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics to arm the entire party and educate the people, and it has adopted a series of important measures in a well-planned way. The theoretical work now has a distinct theme, and the central elements of the theoretical study are given special emphasis. Leading cadres are taking the lead in the study, bringing along the entire party in the process. Close attention is being paid to integrating theory with reality and applying what has been learned to guide practice. The recent CPC Central Committee circular on printing and distributing the "Outline" has instilled new vitality into the party-wide study drive. The situation on the party's theoretical front is very good. At present, it is necessary to seize opportunities to continue deepening the study drive and work hard to develop a good situation on the theoretical front.

The meeting stressed: A prominent task before us is to take advantage of the opportunity created by the implementation of the guidelines of the CPC circular to strengthen our work, bring into play the important role of the "outline" in the in-depth study of the

Selected Works of Deng Xiaoping and the theory of building socialism with Chinese characteristics, and further promote the development, both in depth and breadth, of the study drive. We must use the "outline" as an index to thoroughly read Comrade Deng Xiaoping's original works, as important auxiliary materials to correctly comprehend and comprehensively grasp the scientific system of the theory of building socialism with Chinese characteristics, and as an elementary reader to promote the study among the vast number of party members, grass-roots cadres, intellectuals, and youths on wider scale.

Comrade Liu Yunshan pointed out: The lecturing groups shoulder an important responsibility in using Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics to arm the entire party and educate the people. We must invigorate ourselves, improve our standards, and work hard in a pioneering and enterprising spirit. We must cultivate and bring up a group of well-known, influential, and prestigious instructors. Comrade Liu Yunshan stressed: To better discharge our important responsibility, lecturing groups must strengthen study and research and arm themselves well. They must deepen investigation and research, carry out the educational drive with a clear objective in mind, and improve its practical results. We must concentrate our efforts on face-to-face lecturing and help propaganda departments carry out the training of backbone theoreticians. We must actively serve the party committee core study group in its study. Together with propaganda departments, we must do a good job of inspecting and supervising the theoretical study of cadres at their posts. Party committees and their propaganda departments at all levels must earnestly strengthen leadership over the lecturing groups to bring into full play their important role in theoretical study.

State Council Official on Housing Reform

OW1708115495 Beijing XINHUA Domestic Service
in Chinese 0847 GMT 9 Aug 95

["Further Carry Forward the Reform of the Housing System in Cities and Towns—Liu Zhifeng (0491 1807 1496) Answers Questions from RENMIN RIBAO reporter Wang Qingxian (3769 3237 2009) and XINHUA reporter Zhang Jinsheng (1728 6930 0524) on the First-Year Anniversary of the Implementation of the 'Housing Reform Decision'" — XINHUA headline]

[FBIS Translated Text] Beijing, 9 August (XINHUA) — The State Council promulgated the "Decision of the State Council on Deepening Reform of the Housing System in Cities and Towns" [called "housing reform decision" for short hereafter] in July last year. In the

last few days, these reporters interviewed Liu Zhifeng, deputy head of the Leading Group for the Reform of the Housing System under the State Council, on the first-year implementation of the "housing reform decision."

Question: Would you talk about the main spirit of the "housing reform decision?"

Answer: The "housing reform decision" is formulated in line with the requirements of building a socialist market economic structure and on the basis of summing up China's 10 years of practical experience in housing reform and using as a reference the successful foreign practice of housing commercialization and socialization.

The "housing reform decision" clearly defines: The fundamental purpose of housing system reform is to establish a new urban housing system commensurate with the socialist market economic structure, achieve housing commercialization and socialization, accelerate housing construction, improve living conditions, and meet the continuously growing needs of the urban population for housing. The basic contents of deepening reform of the housing system in cities and towns are to turn the structure under which the state monopolizes investment in housing construction into a structure under which the state, the units, and the individuals shoulder the responsibility for investment in housing construction; turn the structure in which housing construction, distribution, maintenance, and management are done by various units into one in which housing is operated on a commercialized and specialized basis; turn the mode of housing distribution as a material benefit into that of money wages distribution, with distribution according to work as the leading factor; establish an economical and practical housing supply system, which is of the nature of social security and chiefly designed for low- and moderate-income families and a commodity housing supply system, chiefly designed for upper-income families; establish a housing accumulation fund system; develop housing finance and housing insurance and establish a housing credit system with a policy and commercial nature; and establish a regular real estate trading market and develop a socialized housing maintenance and management market. Urban housing system reform must adhere to the principles of coordination and progressing in stages.

Question: What are the tasks of housing reform in the near future?

Answer: The tasks of housing reform in the near future are to comprehensively implement the housing accumulation fund system, actively carry forward rent reform, sell public housing through stable endeavors, vigorously develop the real estate market and the socialized housing maintenance and management market, speed up the

construction of economical and practical housing, and strive to establish a new urban housing system by the end of this century, under which the urban residents will have reached a better-off level in terms of housing.

Question: What are the main contents of the housing accumulation fund system?

Answer: 1) Funds are accumulated in accordance with the principle of "saving by the individuals and subsidy by the units." On-the-job staff members and workers of a unit are required to pay their housing accumulation funds monthly, according to a certain ratio between their wages and their unit's total payroll, and the funds belong to them and are deposited in their personal accumulation accounts. 2) The housing accumulation system has been established and improved, and management of the housing accumulation fund strengthened in accordance with the principle of "unified management" being identical with responsibility, power, and interest. 3) The housing accumulation fund is used in line with the principle of "serving the specified purpose only." The fund can only be used by staff members and workers to buy, construct, and overhaul housing. 4) To safeguard the rights and interests of their housing accumulation funds, when staff members and workers retire, the balance of capital plus interest of their accumulated funds will be returned to them on a one-time basis.

The "housing reform decision" requires all administrative organs, enterprises, institutions, and units as well as their staff members and workers on the job to pay into the housing accumulation fund and establish a housing accumulation fund system.

Question: What are the specific requirements for actively carrying forward rent reform?

Answers: 1) Rent reform will be carried forward actively within the framework of rational housing expenditure of the families of staff members and workers. By the year 2000, housing rent should account for 15 percent of the average wages of two-income families. 2) Localities are required to have worked out and announced their own plans for rent reform before the year 2000 in the light of their own actual conditions. 3) The margin and frequency of rent increases should be commensurate with the income levels of local residents, and overall planning should be made according to commodity price control index targets. 4) After rent adjustments are made, people's governments of all provinces, autonomous regions, and municipalities are encouraged to formulate specific methods of reducing, exempting, and subsidizing the rents of the retired staff members and workers and of those who are determined by government departments of civilian affairs to be entitled to receive social relief and those who are not on the job

but entitled to receive special treatment. 5) If the families of staff members and workers who live in houses which meet the set housing requirements still cannot cover their rent payments after using the portion of their income slated for rational rent burdens plus all their housing subsidies, their units are encouraged to cover the balance by giving them appropriate subsidies.

Question: What are the rules and regulations concerning the sale of public housing?

Answer: 1) With the exception of that whose sale is deemed inappropriate by people's governments at the city (county) level, all urban public housing can be sold to staff members and workers in cities and towns. For staff members and workers to buy public housing, the principle of voluntariness should be upheld. 2) Under the same conditions, priority in housing sale should be given to those who have housing difficulties. 3) Public housing will be sold to upper-income families at the market price, while public housing is to be sold to low- and moderate-income families at cost. The cities (counties) which now have difficulties in selling public housing at cost are allowed to use the standard price as an interim measure. 4) Every family of a staff member or worker can only buy public housing once at cost or the standard price. 5) The prosperity right of the public housing staff members and workers buy at the market price belongs to them, and their houses can be sold on the market according to law and after paying relevant taxes in accordance with state provisions, all income belongs to them. The property right of public housing staff members and workers buy at cost belongs to them and generally, after they have lived in their houses for 5 years, they can sell them on the market according to law. After paying additional sales money for land use rights or land income and paying relevant taxes according to state provisions, all income belongs to them. Staff members and workers who buy houses at the standard price partially own their property rights. To put it another way, they have the right to occupy and use and a limited right of benefit and disposal of their houses, which they are entitled to inherit. The proportion of property rights is determined by the ratio of the standard price in the year the house is sold to the cost price. Generally speaking, after they have lived in the houses they bought at the standard price, they can sell their houses on the market. Under the same conditions, the former selling units have the right to buy back and rent the houses before others. After paying additional sales money for land use rights or land income and after paying relevant taxes in accordance with state provisions, the income from housing sale and rent can be distributed between the units and the individuals according to the proportion of property rights they own.

Question: How has the "housing reform decision" been implemented in other parts of the country?

Answer: The general situation is fine. A few days ago, over three-fourths of the provinces and autonomous regions and 32 of the 35 large and medium-sized cities worked out and promulgated their plans to deepen housing reform in accordance with the provisions and requirements of the "housing reform decision" and in the light of their own actual conditions. Relevant departments under the State Council have formulated or are coordinating the supplementary documents of the "housing reform decision." All localities and relevant departments have quite satisfactorily implemented the unified policy set in the "housing reform decision." 1) More than 65 percent of cities at the prefectural level and above have established the housing accumulation fund system, with the rate of accumulation fund payment being about 5 percent in general. 2) Rent reform has been carried out actively in line with the local residents' capability to withstand the restraints of reform and commodity price index control targets, with rents constituting about 5 percent of the income of the families of staff members and workers. 3) Housing selling prices and property rights have been standardized and methods have been worked out to link the existing housing selling policies with the "housing reform decision" in accordance with the provisions of the "housing reform decision." 4) All localities and relevant departments have universally attached importance to the development and construction of economical and practical housing and formulated supplementary policies concerning the construction of such housing in line with the implementation of the state's Live in Peace [an ju 1344 1446] Project, and worked hard to lower the cost price of housing.

Question: Would you talk about the issues that demand attention in implementing the "housing reform decision?"

Answer: Reform of the housing system in cities and towns is a job which has bearing on the immediate interests of the broad masses of staff members and workers. It is our hope that people's governments in various localities will fully understand the arduousness and complexity of housing reform, strengthen leadership, make overall planning, and be meticulous in the reform, and that they will do a good job of publicity work on housing system reform, and guide the masses of people to correctly understand and support housing reform, and update their awareness on housing. What needs to be stressed here is that the unified policy set in the "housing reform decision" should be implemented strictly; housing reform discipline should be enforced; and no one will go his own way. Only when the reform of

the housing system in cities and towns is carried out in strict accordance with the requirements of the "housing reform decision" can the reform be carried out truly satisfactorily and speedily.

Beijing Readies Communications for Conference

OW1708154495 Beijing XINHUA in English
1525 GMT 17 Aug 95

[FBIS Transcribed Text] Beijing, August 17 (XINHUA) — The Beijing Telecommunications Administration (BTA) has got all telecommunications facilities ready for the UN Fourth World Conference on Women scheduled to be held from September 4 to September 15 in the Chinese capital.

The BTA has laid some 90 kilometers of optical fiber with 12 interfaces for the conference.

It will provide local, IDD and mobile phones, fax machines, a 64 kb/s data transmission line, beepers and teleconference systems for both the UN organizations for the conference and the Chinese Preparatory Committee.

To make covering conference easier for both Chinese and foreign correspondents, the administration plans to set up five press centers and three telecommunications business centers, offering magnetic card, IDD, and mobile phones, fax and telefax machines, and beepers.

In addition to IC cards, INTERNET service is also available at that time.

The BTA has a total exchange capacity of 3.5 million lines, 60,000 for long-distance, 10,000 for international calls, and 230,000 for mobile telecommunications purposes.

Eleven More Counties Open to Foreigners

OW1708150095 Beijing XINHUA in English
1435 GMT 17 Aug 95

[FBIS Transcribed Text] Beijing, August 17 (XINHUA) — China has opened 11 more counties to foreigners, bringing the total number of such counties and cities to 1,187, a spokesman with the Chinese Ministry of Public Security announced today.

According to Article 20 of the Fourth Chapter of the Law on the Entry and Exit of Foreigners of the People's Republic of China, foreigners holding valid visas or residence documents may travel in these open areas without applying for travel documents.

The newly opened counties are: Xiangyun, Longchuan, Yingjiang, Lianghe, Heqing, Midu, Zhenkang, Malong and Huize counties, the Yi Autonomous County of

Jingdong, and the Bai and Primi Autonomous County of Lanping, all in Yunnan Province.

'Roundup' Views Eighth Five-Year Plan

OW1708145795 Beijing XINHUA Domestic Service
in Chinese 2158 GMT 12 Aug 95

["Roundup" by XINHUA reporter Zhang Jinsheng (1728 6930 0524): "China Moves Rapidly Toward Modernization — Our Country Has Undergone Remarkable Changes in National Economic and Social Development During the 'Eighth Five-Year Plan'"]

[FBIS Translated Text] Beijing, 13 Aug (XINHUA) — During the 1991-95 "Eighth Five-Year Plan," many remarkable changes occurred in our country's economy and society: Development entered the fast lane, significant breakthroughs were made in reform, new opening-up prospects were created, stable and rapid national economic growth was maintained, fairly rapid progress was made in various social endeavors, and the cause of building socialism with Chinese characteristics was full of vitality. All this made the world realize that China is moving rapidly toward modernization.

The Economy Entered the Fast Lane of Steady Operations

The smooth fulfillment of the "Seventh Five-Year Plan" laid a solid foundation for rapid economic growth during the "Eighth Five-Year Plan." The "Eighth Five-Year Plan" was the period of fastest growth in the history of our country's national economy. The gross domestic product grew at an average annual rate of 11.7 percent in real terms, which is 3 to 4 percentage points higher than the planned figure, and nearly 4 percentage points higher than the average annual growth rate during the "Seventh Five-Year Plan." The strategic objective of quadrupling the 1980 figure for total supply and demand was achieved ahead of schedule.

Rapid growth was maintained in fixed-asset investment. In terms of 1990 prices, fixed-asset investment in society over the past five years is expected to total 3.89 trillion yuan, growing at an average annual rate of 17.9 percent, a figure that is some 3.4 percentage points higher than had been planned, and 13.6 percentage points higher than the average annual growth rate during the "Seventh Five-Year Plan." During the "Eighth Five-Year Plan," investment by state-owned units grew at a real average annual rate of 22.9 percent, which is significantly higher than the average annual growth rate of 4.1 percent during the "Seventh Five-Year Plan." Investment in such infrastructure areas as energy, transportation, and communications increased noticeably, thus effectively boosting the national economy.

Living Standards Improved Markedly

Urban and rural residents' incomes grew steadily. Per capita family income for use as living expenses in cities and towns is expected to grow 8.4 percent in real terms on average during the "Eighth Five-Year Plan." The growth rate is remarkably faster than the average annual growth rate of 3.7 percent during the "Seventh Five-Year Plan." Per capita net income for rural residents also climbed.

Residents experienced improvement in their living standards. Judging by commodity sales, consumer-goods retail sales are expected to total 2.04 trillion yuan by the end of 1995, increasing at an average annual rate of 10 percent in real terms. This is 6.5 percentage points higher than the 3.5 percent during the "Seventh Five-Year Plan." Urban and rural residents' savings deposits grew substantially. By the end of 1995, they are expected to total 3 trillion yuan, a three-fold increase over 703.4 billion yuan at the end of the "Seventh Five-Year Plan."

During the "Eighth Five-Year Plan," the state smoothly implemented the five-day workweek system in cities and towns, thus providing workers with more time for study, rest, and recreation, and improving their quality of life.

Educational, cultural, and health services that are closely related with people's lives also developed significantly during the "Eighth Five-Year Plan." In 1994, the enrollment rates for junior high school graduates, primary school graduates, and school-age children across the nation were respectively 5.8 percentage points, 12 percentage points, and 0.6 percentage point higher than at the end of the "Seventh Five-Year Plan." Nationwide, enrollment at ordinary institutions of higher learning rose from 609,000 students at the end of the "Seventh Five-Year Plan" to 900,000 students in 1994. From 1991-94, the numbers of book and magazine categories across the nation rose at average annual rates of 6.9 percent and 6.2 percent, respectively; the numbers of broadcast stations and television centers rose 18.6 percent and 12.5 percent, respectively; and the numbers of hospital beds and doctors per thousand people were 2.41 and 1.6, 0.11 and 0.06 more than at the end of the "Seventh Five-Year Plan."

Significant Progress Was Made in Reform and Opening Up

The 14th Party Congress set the general goal of establishing a socialist market economic system. At the end of 1993, the Third Plenary Session of the 14th CPC Central Committee adopted the "Decision of the CPC Central Committee on Some Issues Concerning the Establishment of a Socialist Market Economic Structure,"

which systematically laid out the general framework for China's economic reform. This brought major changes to our country's economic system during the "Eighth Five-Year Plan," and expedited the process of transforming the socialist market economic system.

Remarkable progress was made in price and taxation reform. A new mechanism by which the market determines prices took initial shape in commodity markets, and progress was also made in nurturing markets for production factors. In accordance with the principles of "simplifying tax categories, unifying tax rates, and facilitating management," the previous multilevel financial responsibility system was changed in favor of a financial management system under which the central and local governments share tax revenues. Dual budgeting was also practiced.

Financial structural reform helped establish a macroeconomic regulatory and control system with the People's Bank of China serving as a central bank that independently implements monetary policy. An initial separation of policy-oriented and commercial banks was effected, and breakthroughs were made in financial legislation. Financial markets experienced development, and major steps were taken in instituting a foreign-exchange control system, including those aimed at unifying exchange rates and improving the mechanism for shaping exchange rates.

Moreover, the State Planning Commission moved onto a market basis, changing from mandatory to guidance plans, and from mainly exercising direct regulation and control to indirect regulation and control. In planning, the focus was placed on long- and medium-term plans. Reform of the foreign-trade management system largely shifted onto the track of applying legal and economic means. The reform of state-owned enterprises, with the modern enterprise system as the main feature, commenced on a trial basis. New headway was also made in social security, housing, educational, and scientific and technological reforms.

During the "Eighth Five-Year Plan," our country's scope of opening up to the outside world expanded noticeably, with open regions moving from coastal to inland areas, and open industries expanding from a preponderance of agriculture and processing industries to basic industries, infrastructure, finance, insurance, and commerce. A pattern of opening up extensively in all directions and at all levels took shape.

Foreign trade developed rapidly. During the "Eighth Five-Year Plan," exports and imports are expected to top \$1 trillion, a two-fold increase over the figure during the "Seventh Five-Year Plan." Foreign capital put to use grew quickly. During the first four years

of the "Eighth Five-Year Plan," some 200,000 direct foreign investment projects were approved, and \$75.93 billion of foreign capital was actually put to use, which is 4.7 times the actual invested amount during the "Seventh Five-Year Plan." The country's foreign exchange reserves are expected to total \$67 billion by the end of 1995, a five-fold increase over the amount at the end of the "Seventh Five-Year Plan."

Article in Memory of Chen Yun

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[Article by Wang Heshou: "Mourning Comrade Chen Yun With Deep Grief"]

[FBIS Translated Text] Comrade Chen Yun has been my direct or indirect boss for nearly six decades, ever since the winter of 1937 when I worked in the Organization Department of the party Central Committee in Yanan, then later when I took up party organization work in the localities and on the industrial front, or recently when I worked in the CPC Central Commission for Discipline Inspection [CCDI].

Over the past several decades, Comrade Chen Yuan supervised and helped me with my theoretical study of Marxism and Mao Zedong Thought, gave concrete guidance to my practical work, offered sincere criticisms of my shortcomings and mistakes, and often had chats with me in a carefree manner. All these things gave me the feeling that Comrade Chen Yun was indeed an honest and aboveboard person who gave no thought to personal gains or losses. Even during the time when he was under adverse circumstances, when his correct ideas and opinions were seriously distorted, he never uttered a word of complaint or took a passive attitude. I never saw a tired look on his face; what impressed me most is that he was always imbued with revolutionary optimism.

Working under Comrade Chen Yun's guidance and education for more than 50 years, I cherish a feeling of great reverence for him, and regard him as my esteemed teacher. His passing was a great shock to me, and to this very day I still cannot accept this fact deep in my heart. During the last several days of his life, I went to the hospital every day to learn about his condition and what medical treatments he had received the previous night. Although I sensed that his condition was getting out of hand, I refused to think about making arrangements for his funeral; instead, I always dreamed that the medical team could perform miracles and save his life, though my hopes were shattered in the end.

In the wake of his death, I had a strong desire to write an article in his memory. However, I was overcome

with grief after the funeral, and went and stayed in the countryside for several days, hoping to calm myself down a bit. Yet I tried in vain. Now, whenever I take up a pen, my head will start buzzing, and I will be in a disturbed state of mind. As a result, I find it very hard to give a comprehensive account of Comrade Chen's theories and remarks, which I learned during the past years, as well as of the tremendous achievements he attained in integrating theory with practical work under all sorts of complicated situations. The following is an account of several things that happened over 50 years ago, when Comrade Chen Yun worked in the Organization Department of the party Central Committee in Yanan and when he led the work of the CCDI. I really hope that one day I will be able to write down detailed reminiscences of my days with him.

I.

I was released from Nanjing Prison in August 1937, and arrived in Yanan in about October of the same year. After my arrival, I was first assigned to work in the party committee of the Central Party School. Several days later, I was transferred to the Organization Department of the party Central Committee to take over the work of Comrade Wang Guanlan, who was then sent to work in the Northwest Bureau. At that time, Comrade Chen Yun had just come to Yanan from Jiangxi to take office as head of the central Organization Department, with Comrade Li Fuchun as his deputy.

The first thing I want to talk about here is: Comrade Chen Yun organized us to study philosophy.

Comrade Chen Yun told us that after Chairman Mao had pointed out the need for him to study philosophy, he made up his mind to form and head a study group within the central Organization Department which consisted of six comrades, including Comrade Li Fuchun. He invited Comrade He Peiyuan, a young philosopher, as our philosophy tutor.

The study method stipulated by Comrade Chen Yun was that of studying a thick book on philosophy. We were expected to read the book from beginning to end, chapter by chapter, paragraph by paragraph. To do this, he assigned a certain number of chapters and paragraphs for us to read every week. At the study group's weekly discussion meeting, he would first ask each of us to tell the meeting if he had finished the chapters and paragraphs assigned for that week. It was a study discipline in which no one (including himself) would be excused for failing to finish the reading for any reason. Then discussion would get started, and everyone present could air his own views

at the meeting. Comrade He Peiyuan was a man of great learning, and an eloquent speaker as well. When we came across some philosophical concepts that we did not understand, he would explain the profound in simple and common terms. All the members of the study group liked to hear his lectures and explanations. It is a thousand pities that he drowned while swimming in the Yan He the following summer. At every discussion meeting of the study group, Comrade Chen Yun would elaborate his own understanding of the chapters and sections he had read, which gave great inspiration and assistance to the other five members of the group. The study discipline was very strict. One comrade was criticized for failing to finish all the chapters and pages assigned during an extremely busy week. Being the head of the Organization Department, who was expected to attend to all sorts of tasks and be present at numerous meetings called by the Political Bureau of the party Central Committee, Comrade Chen Yun was the busiest among all the group members, but he never failed to finish reading a single chapter or paragraph. During our talks over official business, or when chatting with me during the several decades afterward, he often mentioned the story that Chairman Mao prompted him to study philosophy, saying that he benefited a lot from the study in Yanan. His attitude of seeking truth from facts, his dialectical solutions to problems, and his fine leading methods have left a deep impression on us. After it fulfilled the mission of philosophical studies, the study group went on to study other classic works, and in the same manner as in its philosophical studies. The works studies including the "Communist Manifesto," "Socialism From Fantasy to Science," "Critique of the Gotha Program," "State and Revolution," and "On Imperialism," as well as the works of Chairman Mao, such as "On Contradiction," "On Practice," "On Protracted Warfare," and "The Issues of War and Strategy." The study group held out for as long as five years. Comrade Chen Yun's unremitting efforts in theoretical study under busy working conditions showed not only his attitude toward study, but his indomitable willpower as well. Undoubtedly, other members of the study groups also had heartfelt thanks for him, for we all benefited a great deal from the study under his leadership. Comrade Li Fuchun often talked with me about things during this period.

The second thing I recall here is: Comrade Chen Yun's struggle against "left" ideologies and practices within the party.

After the Long March, the party Central Committee took root in northern Shaanxi. In order to expand anti-Japanese resistance forces and the liberated area, the party set up in a number of institutes and academies

in Yanan in northern Shaanxi to attract tens of thousands of young people and to train party-member cadres. They included the Anti-Japanese Military and Administrative University, the Northern Shaanxi Government School, the Women's College, the Lu Xun Institute of Literature and Art, and all sorts of training classes for youth, as well as the Central Party School and the Institute of Marxism-Leninism. In accordance with the needs of the anti-Japanese resistance cause, as well as the need to expand the strength of the party, the Organization Department of the party Central Committee, led by Comrade Chen Yun, advocated the idea of taking positive steps to attract young people to Yanan in large numbers. Meanwhile, the Cadres Section under the central Organization Department also arranged talks with a number of senior intellectuals, then submitted reports to Comrade Chen Yun. After hearing these reports, Comrade Chen Yun would call on intellectuals personally to learn more about them, and more importantly, to ask them to invite more classmates and friends to Yanan. This move clearly showed that Comrade Chen Yun had strategic foresight on party organization work and on the future development of the party's cause. However, his efforts were obstructed by "left" ideas and practices within the party. Comrade Chen Yun's resolute struggle against incorrect "left" ideas can be shown clearly by the following two typical cases. At that time, the party committees in all parts of the country often recommended some party-member cadres to study in Yanan. After talking with these cadres, the central Organization Department would send some to study in the Anti-Japanese Military and Administrative University, the Northern Shaanxi Government School, or other institutes and academies, so that they could conduct political and ideological work among large numbers of non-party-member students while carrying out their own studies. Meanwhile, the majority of these party-member cadres would be recommended to study in the Central Party School. During that period, Kang Sheng was the head of the Central Party School, while Cao Yiou was in charge of cadre affairs. However, some of the comrades we recommended to the Central Party School were rejected. The reason the school gave was that these comrades were not of a good class origin and had complicated social backgrounds. After hearing our reports on this situation, Comrade Chen Yun instructed me to talk with Cao Yiou to lodge our criticism. Comrade Chen Yun pointed out: Whether or not one is a good party member is decided by the party member himself, and we can by no means take his family background as the criterion for his qualification as a party member. Many of our high-ranking leading cadres within the party have complicated family backgrounds; can you negate their party spirit and morality because of this? Those party mem-

bers who work in the White area have to work and live under the complicated environment of the old society; can we negate their party spirit and morality because they kept certain complicated social relations? Comrade Chen Yun instructed me to tell Cao Yiou: "You, Cao Yiou, do not enjoy a clean family background yourself; your social contacts also were very complicated during your college days in Shanghai. Will you negate yourself because of this? What is more, these cadres were recommended to study in the Central Party School on the investigation of the central Organization Department, and it is an abnormal practice within the party for you to refuse to take them in. The reasons that you have given do not hold water." In line with Comrade Chen Yun's instructions, I held a serious talk with Cao Yiou and several other comrades from the party committee of the Central Party School, and that is how we successfully resisted Kang Sheng's "left" interruptions and influence in the Central Party School regarding the work of training party-member cadres.

The other typical case was that as the head of the Department of Social Affairs within the party, Kang Sheng often asked cadres from the Organization Department to work in his own department. Knowing very well their requirements for cadres, we conducted thoroughgoing studies and investigations of our cadres, and recommended to them only those we considered were politically qualified, with certain social experience and work ability. However, among the seven or eight comrades we recommended to him each time, he often refused to take in three or four, and sent them back to us. The reason he gave was the same: These people had complicated family background and social relations. The cadres sent back to us naturally felt deeply hurt, yet these comrades were indeed outstanding party members among all, for facts have showed that most of them have grown into leading cadres of our party at different levels. After hearing our reports on the issue, Comrade Chen Yun considered this a manifestation of "left" ideas on organization work, as well as on the party's cadre affairs. He added: "Among all the cadres currently working in the central Organization Department, including those working in your cadres section, some do have complicated family backgrounds and social relations. Yet, can you not see that they all are politically and ideologically qualified, have a correct attitude toward their work, and enjoy a sound work style? Adopting a 'left,' closed-door attitude on the issue of selecting and promoting cadres will hinder the development of the party's cause to a serious extent. You go to the Department of Social Affairs and have a talk with the deputy head, Comrade Li Kenong. You can tell him the whole story of how the Organization Department selected and recommended selected cadres to them, and how they sent back

these cadres to us, then offer them this suggestion: In the future, if you insist on judging an outstanding party-member cadre by his complicated family or social background rather than by his ideological and political stand, then the central Organization Department will recommend to you only cadres of working-class and peasant origin. These cadres are of good class origin and have simple social backgrounds, yet as their educational standards may be lower and their social experience inadequate, they may not be suitable for jobs in the Department of Social Affairs. I do not think Comrade Li Kenong will agree with such an ultra-Left idea." In line with Comrade Chen Yun's instructions, I had a talk with Comrade Li Kenong. Expressing total agreement with Comrade Chen Yun, Comrade Li Kenong showed disagreement with the aforementioned ultra-Left idea and work style, and said that he would see to it that such ideological mistakes were redressed and eliminated in his department.

From the examples cited above, we can see Comrade Chen Yun's staunchness, and his superb art of struggle in resisting and opposing ultra-left ideas and practices that might endanger the party's cause.

The third thing I want to talk about is that persistently upholding the party's organizational principle and stand, Comrade Chen Yun fought resolutely against Wang Ming's supercilious behavior, which ran counter to the party's organization principle.

In the wake of the outbreak of the War of Resistance Against Japan, large numbers of young women (including party members and non-party members) went to Yanan to join in the revolution. The central Organization Department recommended most of these young people to study in the Women's College, and after their graduation, assigned them to different localities and departments to take charge of women's work or work in other fields. Wang Ming was then president of the Women's College. The distribution of graduates of the first two sessions was carried out smoothly according to the distribution principle stipulated by the party: While sending a certain proportion of the graduates to the Central Commission of Women's Affairs to be assigned by the latter, the central Organization Department will distribute the majority of the graduates to different party, government, and military departments, as well as to local party committees according to actual needs. However, this distribution principle could not function at a later time, for Wang Ming decided that he would take direct charge of distributing all the revolutionary young women, both party members and non-party members, who graduated from the Women's College. Considering this an unreasonable practice, we tried in vain to persuade the comrades who were in charge of day-to-day operations of

the Women's College in accordance with the party's principle. They claimed that they were simply executing the decision of President Wang Ming. After hearing our report, Comrade Chen Yun wrote Wang Ming a letter, asking him to alter this decision. However, Wang Ming refused to make any change, claiming that as the president of the Women's College, he had the right to handle the distribution of his students. We all felt very upset by Wang Ming's rude and unreasonable attitude, and put forward a suggestion for Comrade Chen Yun to consider: If the leadership of the Women's College refuses to change its decision, we will no longer recommend young women to study in the Women's College. On careful consideration, Comrade Chen Yun said: "I agree with your opinions. You can discuss the issue with Comrade Fuchun; if he also agrees, we will do as you have said." We talked with Comrade Fuchun about the issue, and the latter showed his total agreement. After that, our department recommended very few party-member or non-party-member young women, who had come to Yanan to join in the revolution, to study in the Women's College. Instead, we directly recommended them to study in the Northern Shaanxi Government School, the Anti-Japanese Military and Administrative University, the Lu Xun Institute of Literature and Art, the Central Party School, the Academy of Natural Sciences, and other institutes and academies. As a result, the Women's College began to have problems recruiting enough students, for the overwhelming majority of its students had been recommended by the Organization Department in the past, except for those from the northern Shaanxi region, who were recommended directly by the party's Northwest Bureau. For this reason, Wang Ming came to the Organization Department personally and demanded a talk with Comrade Chen Yun. I was making a work report to Comrade Chen Yun at the time Wang Ming came in, and thus witnessed the whole conversation between them. Wang Ming was the first to speak, with an overbearing air: It is an unreasonable practice that the central Organization Department has stopped supplying students to the Women's College. Wang Ming, who returned to the country not long ago, often posed as the theoretician and leader of the party, deeming that no one could ever disobey his opinions and decisions. To crush Wang Ming's arrogance, Comrade Chen Yun said: "I know this case, and even wrote you a letter explaining that the development of the party's cause requires large numbers of women cadres in all fields. Do you think that military departments have no need for women? Their confidential, medical, and political work sectors do have a need for a large number of women cadres. I do not think you are unaware of the fact that large numbers of women cadres also are needed in the party's propaganda, organization, and

administrative departments. Is it a good thing that our provincial and regional party committees are composed of people of the same 'masculine gender?' According to the unified distribution principle of the central Organization Department, the department will assign a certain portion of the graduates of the Women's College to the Central Commission of Women's Affairs to take up women's work, and meanwhile will distribute the majority of graduates to different party and government organs according actual needs. This is a distribution principle set on the basis of the development of the party's cause. Now that the graduates of the Women's College can no longer be distributed according to the needs of the party's cause, the central Organization Department should stop recommending young women to study in the Women's College. It is totally out of the consideration of the development of the party's cause that we recommend them to study and receive training in other institutes and academies. On the surface, it seems 'unreasonable' for us not to recommend students to the Women's College anymore; yet proceeding from the development of the party's cause, we can only attain a relative reasonableness by taking this forced 'unreasonable' move to oppose you old fellows' unreasonable practice, which runs counter to the party's interest and principle." Hearing Comrade Chen Yun's remarks, which were neither soft nor harsh, and knowing that the reasons and excuses he had in hand were all untenable, Wang Ming began to pull in his horns. He said at last: "All right, we will adopt the method of the central Organization Department. However, you must promise to set aside a bigger proportion of graduates for the Central Commission of Women's Affairs." Comrade Chen Yun answered straightforwardly: "OK. Now that you have agreed with us, the issue is settled. The past practice by which we gave a certain proportion of the graduates of the Women's College to the Central Commission of Women's Affairs and empowered the commission to handle the work assignment of these graduates was based precisely on the actual needs of the commission. Lastly, I would like to give you a word of advice, old fellow: You have stayed overseas for too long, so it is better for you to first familiarize yourself with the party's organizational principles and with the new developments in all sectors before you put forward your new ideas, or else you will always 'get stuck' with other departments. Enjoying such high prestige as he does, Chairman Mao always solicits the opinions of all sides before he makes decision on major issues." However, I could see that Wang Ming had turned a deaf ear to Comrade Chen Yun's advice, for he immediately got up and left. After seeing Wang Ming off at the entrance of his cave dwelling, Comrade Chen Yun returned to his desk, murmuring to himself: "No matter who one is,

he will never be allowed to bid defiance to the party's organization principle or act in a supercilious way!" He then turned to me: "You go back and report our meeting to Comrade Fuchun. As for the the Cadre Section, you can just tell them to resume the supply of students to the Women's College."

I cite here only three examples of what Comrade Chen Yun did when he led the work of the central Organization Department in Yanan, yet they are more than sufficient to show that as easy-going as he was, Comrade Chen Yun never mediated differences at the sacrifice of principle on issues concerning the party's principles, the success or failure of the party's cause, or the ideological style of the party. He always upheld a clear-cut and uncompromising stand against all the ideologies and practices that would endanger the party, and resolutely safeguarded the fundamental interests and principles of the party. Few people know of the second and third cases cited above, which bear a far-reaching significance, even today. All the veteran cadres who have a good knowledge of party history certainly will comprehend the far-reaching significance of Comrade Chen Yun's struggles against the incorrect ideologies and practices of Kang Sheng and Wang Ming.

II.

During the Great Cultural Revolution, Comrade Chen Yun was "banished" to Jiangxi. He returned to Beijing in 1974, and his job at the time was simply to assist Comrade Zhou Enlai in studying the country's foreign trade. It was not until the smashing of the "Gang of Four" and the conclusion of a central work meeting in the winter of 1977 that he was elected vice chairman of the party Central Committee at the Third Plenary Session of the 11th CPC Central Committee. He later was elected first secretary of the CCDI.

During the period when he led the work of the CCDI, he not only upheld the party's principles and guidance in his work, but also contributed to the theory guiding the ideological building of the party. I will also give several examples here to demonstrate my point.

1. The principle guiding the work of the CCDI.

Shortly after the CCDI was established, Comrade Huang Kecheng and I went to Comrade Chen Yun's place to ask for instructions on the work principle of the party's discipline inspection organs. Comrade Chen Yun said right away, in explicit and resolute terms: "We must pay close attention to party style. The principle guiding the work of the CCDI is to safeguard the discipline and rules of the party, and to rectify party style."

The style of our party used to be sound, no matter which of the three important styles of work it was

judged by: integrating theory with practice, forging close links with the masses, or practicing self-criticism; or whether it was viewed from the quality of our party members who enjoy strong party spirit, carry out hard struggles, strictly observe discipline, and fight for the party's cause, fearing neither blood nor death. That is why the vast numbers of party members withstood the rigorous trials during the ruthless Civil War, the War of Resistance Against Japan, and the Liberation War, as well as when doing underground work under the White terror. It is precisely because our party enjoyed such a sound party style, which was acclaimed by the people, that we could attain one victory after another. However, during the 10-year Great Cultural Revolution, the two counterrevolutionary gangs of Lin Biao and the "Gang of Four" ruined almost all the fine traditions of our party, as well as the sound party style that had won the absolute confidence of the masses. Among some 10 million new party members recruited as a crash job during the Great Cultural Revolution, many had a "factional spirit" and knew nothing about "party spirit." It was under such circumstances within the party that Comrade Chen Yun decided that the improvement of the party style and the enhancement party members' party spirit should be taken as the outline and principle for the work of the CCDI. This decision shows to the full his strategic foresight and sagacity in guiding the overall work of the CCDI.

2. The issue of party style is one of life and death to a ruling party.

Comrade Chen Yun believed that the party's discipline inspection work is not simply meting out punishment to those who have violated party discipline. What is more important for discipline inspection organs to do is to turn themselves into political and ideological departments, that is, departments taking charge of education on party spirit. At a CCDI plenary session he said: "A party will not enjoy a sound party style if it neglects the building of spiritual civilization, as well as political and ideological work. Neither will a society have a good general mood if it overlooks the building of spiritual civilization and communist ideological education." "Without strengthening political and ideological work, and without strictly enforcing the disciplines of the party and government, neither the party style nor the general mood of society can be expected to take a favorable turn." Based on this, he further instructed: Organs in charge of discipline inspection should not place their stress only on punishment of those violating party discipline according to party rules and regulations, but also should use typical cases of such violations to conduct political and ideological education within the party. The party's discipline inspection organs "should not just en-

gage in investigating discipline violation cases; a more important task for them is to strengthen the education in party spirit among Communist Party members," and "during the course of reform and opening up, it is inevitable that some decadent capitalist ideas and work styles will corrode our party; this poses a direct danger to our socialist cause." On this issue, he later pointed out in more explicit terms: We are the ruling party, and "the issue of party style is one of life or death to a ruling party." It can be said that this solemn political exposition not only has raised a realistic question on the building of our party, but also has put forward a new theoretical subject in this regard, for it was put forward on the basis of our party's past experiences of success and failure, and especially on the basis of the party's historical experience since it came to power. Party style is an external manifestation of the party spirit of every party member. Our party will become lifeless if large numbers of party members, including those on leading positions, ever lose their faith in the communist cause and the party's cause, lose the spirit of giving no thought to personal gain or loss, and lose the morals to carry out hard struggles for the benefit of the masses.

The bitter changes that took place in the international communist movement several years after Comrade Chen Yun put forward his ideological exposition also have served to illustrate the great significance of this exposition. Many of the world's communist parties, which had triumphed over their enemies, were toppled or eliminated one after another without effort. People can attribute this phenomenon to many factors, yet the most basic is that the communist parties of some countries had long failed to conduct education on the communist ideology and party spirit among their members. Their style of work gradually had become incompetent, and all their members — from the top leadership to the grass-roots level — had lost their party spirit. As a result, these parties became morally degenerate, and could no longer withstand any storm.

Comrade Chen Yun's foresighted idea that "the issue of party style is one of life or death for a ruling party" also has served as the significant guiding ideology for the work of the CCDI under his leadership.

3. Efforts were made to resolve major historical issues of right and wrong.

The Great Cultural Revolution confounded right and wrong on many major issues. Here, I will cite only three typical cases related to the party's political and organizational principles which were correctly handled by the CCDI upon thoroughgoing investigation and study in line with Comrade Chen Yun's instructions: The rehabilitation of Comrade Liu Shaoqi, and the re-

examination of the two conspirators, Kang Sheng and Xie Fuzhi. A correct resolution to these three typical cases will be of great guiding significance in making a clear distinction between the right and wrong of the Great Cultural Revolution (the cases of the two counterrevolutionary gangs of Lin Biao and the "Gang of Four" were handled by a "Leading Group in Charge of the Investigation of Two Cases.")

Comrade Liu Shaoqi was labeled the "No. 1 person in power taking the road of capitalism," and was later framed by the two counterrevolutionary gangs of Lin Biao and Jiang Qing as a so-called "renegade," "hidden traitor," and "scab." All these were charges trumped up out of sheer fabrication. After a vast amount of investigation, verification, and study, the CCDI repudiated all these false charges and proved that Comrade Liu Shaoqi was a faithful and long-tested proletarian revolutionary. Showing its absolute content with, and giving its endorsement to the investigation report regarding the rehabilitation of Comrade Liu Shaoqi, the party Central Committee pointed out that "the rehabilitation of Comrade Liu Shaoqi has given expression to the fine traditions cultivated by Comrade Mao Zedong." Meanwhile, the party Central Committee transmitted the report to the whole party, calling on it to "conscientiously study the relevant solutions and appendices regarding the rehabilitation of Liu Shaoqi."

The vast amount of investigation and verification concerning Kang Sheng and Xie Fuzhi provided conclusive evidence that the two were conspirators of extremely dirty quality. Acting as accomplices of the two counterrevolutionary gangs of Lin Biao and Jiang Qing, these two men cook up charges against large numbers of outstanding party cadres, subjecting them to political persecution. The conclusion of their cases, following investigation, was to expel them from the party and to withdraw the memorial speeches previously dedicated to them.

The CCDI submitted two investigation reports to the party Central Committee concerning its conclusions following the investigation of these two major cases. The Political Bureau of the party Central Committee totally agreed with and ratified the report, and decided that the two investigation reports first would be transmitted to all party members, and then would be made public at an appropriate time.

Comrades throughout the party were overjoyed at the news that the CCDI had come to formal conclusions on these three typical major cases of right and wrong. These conclusions not only have helped people draw a clear distinction between right and wrong ideologically,

but also have helped to heal the mental wounds of many of our comrades.

Apart from the three major cases cited above, the CCDI also conducted a large amount of investigation and study, in line with Comrade Chen Yun's instructions, concerning the injustices done to Comrade Qu Qiubai and Comrade Pan Hannian, two key leading figures in the party's history. Rumors were spreading during the years of the Great Cultural Revolution that Comrade Qu Qiubai had become a turncoat after being arrested by the enemy. As for Comrade Pan Hannian, he was framed by Kang Sheng as a "hidden traitor," and was expelled from the party as early as 1955. Following a vast amount of investigation and study, the CCDI negated all the rumors and false charges against Comrade Pan Hannian.

4. The party's discipline inspection organs should build themselves into a force that can help promote the country's economic reform.

Under the guidance of the line and principle of economic reform, formulated by the party Central Committee, Comrade Chen Yun gave the following instruction: "The party's discipline inspection organs at all levels not only should resolutely oppose and redress people and practices that may hinder and sabotage reform, but also should make redoubled efforts to turn themselves into a major force that can help promote reform," and "the party's discipline inspection departments across the country should make a success of discipline inspection work, so as to guarantee and promote the healthy development of the socialist economic and political structural reforms."

5. While the economic reform stresses the need to delegate more power to lower levels, there is no such word as "decontrol" with the party discipline.

Comrade Chen Yun enthusiastically called on discipline inspection organs to adapt their work to the party's principle of promoting economic and political structural reform. Meanwhile, he also stressed the need to handle in accordance with party discipline the mistakes and malpractices that are unavoidable in the course of reform.

An incorrect idea prevailed at the time: Now that the former overconcentrated economic management power must be "delegated to lower levels" in order to invigorate our economy, then under this new situation of reform and opening up, party discipline also should become less strict, the control over party members should be "lifted a bit," and "more flowers and fewer thorns should be grown." In view of this incorrect ideological trend, Comrade Chen Yun pointed out immediately: "Discipline inspection personnel should study and adapt

their work to the new situation, but there is no such word as 'decontrol' regarding the principle of party spirit, as well as regarding party discipline. Without a sound party style, we cannot begin to talk about success in reform. We, the Communist Party, should uphold party discipline at all times, no matter whether during its underground years or during the present time, when it has already become a ruling party." Regarding this matter, Comrade Chen Yun said emphatically: We now are engaged in socialist economic construction, and therefore should keep firmly in mind the extremely important ideology of the "four upholds" which were put forward for the whole party by Comrade Deng Xiaoping. Any deviation from this ideological guidance of Comrade Deng Xiaoping's will lead to serious political mistakes. Meanwhile, he further pointed out: "The socialist cause should not be regarded as simply the building of material civilization.... To succeed in the socialist cause, it is impossible for us to build up material civilization first before proceeding to the building of spiritual civilization." "If we fail to pay close attention to the building of socialist spiritual civilization, our entire cause may deviate from the Marxist line and drift off its socialist course"; and "that the ruling party must have a sound party style is the key to building up socialist spiritual civilization. We should step up our efforts to strengthen education in party spirit among our Communist Party members, with a view to enhancing their quality." He also told retired veteran cadres and senior party members that Communist Party members "should always concern themselves with party spirit and discipline, and should give play to their supervisory role. Communist Party members are supposed to fight on the forefront throughout their lifetimes; to them, there is no such a thing as retiring or withdrawing to the second line."

6. Another thing I would like to mention here is that under the leadership of Comrade Chen Yun, the CCDI and relevant departments jointly completed the historically significant investigation of the two counterrevolutionary gangs of Lin Biao and Jiang Qing. Upon the decision of the party Central Committee, a "Leading Group in Charge of the Investigation of Two Cases" was set up which consisted of leading comrades from the CCDI, the central Organization Department, the Supreme People's Procuratorate, the Supreme People's Court, the Ministry of Public Security, and the PLA General Political Department. With the vigorous support of public security organs, procuratorial organs, people's courts, the PLA General Political Department, the Air Force, the Navy, and organs directly under the party Central Committee and the State Council, and also with the enthusiastic assistance of party committees in all localities, a number of CCDI leading comrades used almost an entire year and devoted great energy to investigating

and studying the evildoings of these two counterrevolutionary gangs, which had attempted to usurp supreme party leadership and state power, and which brought calamity to the country and the people. On the basis of irrefutable facts, the "Leading Group in Charge of the Investigation of Two Cases" submitted two namelists: Of those who had to be tried according to the law and of those who should be given disciplinary punishment within the party. It has been more than a decade since then, and practice has proved that both these rulings by the Supreme People's Court according to the law or the disciplinary punishments meted down by the party were absolutely correct. It was under the guidance and concrete leadership of the party Central Committee at that time and of Comrade Chen Yun that we could attain such good results in the investigation work.

Comrade Chen Yun has passed away, and even today, I still cannot accept this fact. His glorious image as a great proletarian revolutionary will always live in my heart.

Crime, Punishment in PRC for 1-15 Aug

HK1808091895

[FBIS Editorial Report] The following is a compilation of reports on crime, investigations, trials, sentencings, and other judicial-related activities in the PRC monitored during the period 1-15 August. The source and mode of processing are given in parentheses at the end of each entry. Certain reports deemed more significant may have been filed separately, in which case the summary will include the serial number of the separately filed item.

As documented by the stories listed below, during this period PRC crime reportage focused on economic and violent crime.

NATIONAL

Police Crack Dinosaur Egg Case

A Chinese gang dealing in selling the world's oldest antiques — fossilized dinosaur eggs — have been jailed. Zhuang Weiming, Xu Yongqi, and Yang Nianbao got five years each for trying to sell the relics to a Hong Kong businessman. Zhuang, an official with the trade bureau of central China's Henan Province, illegally bought three dinosaur eggs in September 1992. Later Zhuang and Xu hatched a plot to speculate in dinosaur eggs. Zhuang bought another 13 dinosaur eggs in January 1994. Last October, Xu asked his friend Yang Nianbao to find a buyer for the dinosaur eggs. Through Yang the pair brokered a deal with a Hong Kong businessman to buy 16 eggs for 450,000 yuan (\$54,000). The trio were arrested on Christmas Day as

they were about to deliver the eggs. The State Cultural Relics Appraisal Committee ruled that the eggs were graded cultural relics under State protection. (Text) (Beijing CHINA DAILY in English 11 Aug 95 p 3)

PROVINCIAL GUANGDONG

Nine Criminals Executed in Guangzhou 11 August

On 11 August, the Guangzhou Municipal Intermediate People's Court announced its decision on sentencing nine criminals to death. They were immediately escorted to the execution ground for execution by shooting. These extremely vicious criminals, who acted with utter disregard for human life, came from Hunan, Henan, and Guangxi, as well as Haifeng, Huadu, Nanhai, and other parts of Guangdong. They were guilty of premeditated murder, robbery, theft, and other crimes. (Summary) (Hong Kong WEN WEI PO in Chinese 12 Aug 95 p A3)

Guangzhou Cracks Down On Forgery of Railway Tickets

The activities of forging and selling counterfeit railway tickets have been rampant in Guangzhou since spring of this year. The number of forged railway tickets discovered in Guangzhou Railway Station has clearly increased. Not only has this harmed the interests of the state and passengers, it has also adversely affected railway passenger transport and railway station services in the city. In recent months, therefore, the Yangcheng Railway Company has stepped up striking heavy blows at ticket forgery and counterfeiting activities, traced them to the source of the crimes, and achieved good results in the drive. According to incomplete statistics compiled by the railway authorities, from April to May this year 783 forged sleeper tickets for the Guangzhou-Beijing train were discovered. From June to July, the Yangcheng Railway Company seized more than 14,000 forged railway tickets and more than 36,000 counterfeit ticket slips. More than 120 persons guilty of selling counterfeit tickets were arrested. Three illegal gangs guilty of forging and selling counterfeit tickets were cracked, and its 17 members arrested. In addition, a large number of tools for forging railway tickets such as printing machines were also seized. All this has recovered losses to the state in excess of 2.85 million yuan. (Summary) (Hong Kong WEN WEI PO in Chinese 11 Aug 95 p A2)

Foshan Police Crack Crime Syndicate

Police in Foshan City, Guangdong Province, have cracked a 13-member criminal syndicate. On 11 August, the Foshan City Court sentenced Mai Zhanqi and five other prime culprits to death and seven others to

death with reprieve, life imprisonment, or set terms of imprisonment. Between 15 and 28 May 1993, Mai Zhanqi and company, formerly peasants from Xingtian Town and Daliang Town in Foshan City, seized by force three Crown sedans valued at 595,000 yuan. In August, Mai robbed a certain person named Li of 100,000 yuan on the pretext of collecting debts. Between September and December, by kidnapping the proprietor of a motor company and two others, Mai and company extorted 175,000 yuan, HK\$20,000, and a quantity of gold ornaments in ransom. They also bought arms and ammunition, including a "54" model pistol, a "56" model sub-machine guns, bullets, and grenades. (Summary) (Hong Kong MING PAO in Chinese 12 August 95 p C3)

Zengcheng Court Sentences, Executes Three Murderers

On the morning of 25 July, the Zengcheng People's Court, at the request of the Guangzhou Intermediate People's Court, gave the death sentence to three criminals for illegal transactions in and possession of firearms and ammunition, murder, robbery, and theft. The three criminals were executed immediately after being sentenced. Gao Yuming, a native of Zengcheng, was at odds with Zhou Jingbo due to their business dealings and attempted to kill him. In early 1993, Gao gave 10,000 yuan to Chen Zhuojin, who had just been released from jail, to buy firearms and ammunition and promised to give him 50,000 yuan if he would kill Zou. At 2300 on 28 April 1993, Chen and Song Jianwen, who also had just been set free from jail, rode motorcycles to tail Zou. When they arrived in Xintong Town, Chen first shot Zou and then Song fired three shots at Zou's head and other parts of his body, killing him instantly. The next day Gao gave Chen and Song 50,000 yuan. The public security police later seized three pistols, 80 bullets, and a hand grenade from Chen. The trial revealed that Chen and Song stole four motorcycles worth 58,000 yuan yuan in Zengcheng and Dongguan Cities between September and November 1992. (Summary) (Guangzhou NANFANG RIBAO in Chinese 26 Jul 95 p 5)

Successful Province-Wide Anti-Drug Campaign Extended to September

Guangdong cracked 3,000 drug-related cases in the last five months, smashing 1,400 drug-marketing outlets and arresting 6,000 offenders, of which 643 have been prosecuted according to law. In the five-month province-wide campaign, a total of 338 kg of heroin was seized, a number of drug traffickers having sold up to 10 kg of heroin were arrested, and 4,700 key problem areas across the province were addressed. The campaign promoted province-wide political stability, and criminal

cases in May and June dropped compared with the same period last year. To exploit the victory, the provincial authorities decided to extend the campaign to September. (Summary) (Beijing XINHUA Domestic Service in Chinese 2115 GMT 10 Aug 95)

Guangzhou Police Drug Seizures, Arrests in First Seven Months

Guangzhou police have seized 22.4 kg of heroin, 2.4 kg of morphine, and 2.65 million yuan in drug money, and have arrested 7,000 addicts, in the first seven months of 1995. More than 10,000 users have been treated at the Guangzhou Rehabilitation Center, with only a 10-percent success rate. Addicts are given methadone for detoxification, but since Guangzhou is unable to offer a comprehensive after-care program, many relapse. Guangzhou Anti-Narcotics Office vice director Xin Xin has reported that 20 percent of criminals arrested in the past year were drug addicts. (Summary) (Hong Kong SOUTH CHINA SUNDAY MORNING POST in English 13 Aug 95 p 5)

CD Pirate Sent to Prison

In the first CD infringement case that has been successfully brought to court in Guangzhou, a Guangzhou man has been sentenced to nine months in prison and fined 50,000 yuan for illegally selling pirated compact disks at a video rental shop in the city. Su Qiuchun sold more than 60,000 pirated CDs and pocketed 25,000 yuan from August to November last year. The court accepted the case when the International Record Association complained to Guangzhou Procuratorate last September. (Summary) (Beijing CHINA DAILY in English 8 Aug 95 p 3) GUIZHOU

Six-Month Statistics on Economic Crime, Corruption

From January to June, procuratorial organs across Guizhou heard 1,270 economic criminal cases and recovered economic losses of eight million yuan for the state. First, the procuratorial organs concentrated on major cases, which numbered 559, accounting for 75.5 percent of the total, with nine cases involving 500,000 to 1 million yuan and 12 cases over 1 million yuan. A total of 16 cadres at county or section level and above were prosecuted. Guo Wenyan, director of the Guiyang Aviation Fluid-Pressure Piecework Factory, a cadre at the department director level, and Bao Yaoxian, deputy director, a cadre at the deputy department level, were arrested for taking a great amount of bribes. Second, they deal with 194 economic criminal cases involving 215 cadres and accounting for 26.2 percent of the total, in the leading party and government departments,

judicial organs, administrative and law-enforcement offices, and economic management departments. Wang Yun, member of the Guiyang Wudang District CPC Committee Standing Committee, secretary of the Wudang Political Science and Law Commission, and chief of the Wudang Public Security Bureau, was prosecuted for taking a bribe of several thousand yuan. Chen Zepei, deputy secretary of the Huishui County CPC Committee, was punished for taking a bribe of 20,000 yuan. Third, they prosecuted 193 offenses committed by using added-value tax invoices to evade taxes. Of the 18 cases of tax evasion, three involved a total of 100 million yuan, of which 1.3 million yuan was recovered. By handling these cases, the procuratorial organs saved the state 71.85 million yuan in economic losses. Fourth, they prosecuted 400 cases of appropriating the assets of state enterprises. Fifth, they made fairly good achievements in pursuing and capturing economic criminals, who had been at large. And sixth, they brought to justice those law-enforcement personnel committing corruption and neglecting their official duties, regarding it as an important part of the anti-corruption campaign. In the first half of this year, they dealt with 13 corruption cases involving judicial officers, 2.6 times that for the same period last year. In addition, they dealt with 24 cases of state cadres neglecting their official duties. (Summary) (Guiyang GUIZHOU RIBAO in Chinese 29 Jul 95 p 1)

HAINAN

Six Criminals Sentenced to Death for Robbery, Extortion, Bombing

On 25 July, the Hainan Intermediate People's Court pronounced first-instance sentences on the Qiongzhan City criminal gang headed by Hong Deyan for robbery, blackmail, extortion, illegal transactions in and possession of firearms and ammunition, bombings, and deliberately injuring other people. Hong Deyan, Cai Rufu, Chen Kaiqiong, Huang Zhonghui, Wu Yuxiong, and Liang Gang were sentenced to death. Lin Yuwu was sentenced to death suspended for two years. Wu Shuzhao, Liang Anbing, and Liang Xuepu received life sentences. Du Dahong, Hong Mianhao, Wang Jiazhao, Wang Mingsheng, and Chen Jinyun got jail terms ranging from five to 14 years. (Summary) (Haikou HAINAN RIBAO in Chinese 26 Jul 95 p 1) HENAN

Prosecution of Major Economic Crime Cases Up 21 Percent

In the first half of this year, procuratorial organs in Henan Province made new progress in anticorruption work. They investigated 2,141 cases of corruption, bribery, and other economic crimes, of which 1,302

cases involved over 10,000 yuan each, and dealt with 46 cadres at or above the county level, as well as 58 law-enforcement personnel, for irregularities. They also retrieved 25.11 million in economic losses for the state and the collectives. Of the major cases placed on file for investigation and prosecution, 150 cases involved over 100,000 yuan, an increase of 21 percent over the same period last year; 29 cases involved over 500,000 yuan, up 61 percent; and 12 cases involved over 1 million yuan, up 100 percent. (Summary) (Zhengzhou HENAN RIBAO in Chinese 26 Jul 95 p 1) Cadres Sentenced to Death, Life Imprisonment for Corruption

Major Economic Crime Cases Detailed

On 26 July, Yang Juzhang, vice president of the Henan Provincial Higher People's Court, pronounced sentences on 13 criminals involved in 10 economic criminal cases. Wang Aijun, 35, who was formerly in charge of the China Agricultural Bank Yexian County Branch, embezzled 256,000 yuan of public funds in the period from December 1985 to December 1991 by abusing his position. After his case was discovered, he fled and refused to tell the police the whereabouts of his stolen money when he was arrested. He was sentenced to death and was executed on 26 July. Yang Zhenhai, a former member of the Zhengzhou City CPC Committee Standing Committee and secretary of the Gongyi City CPC Committee, took bribes totaling 75,000 yuan from 1992 to 1993 and illegally obtained 10,000 yuan from another channel. He refused to repent after he was arrested. He received 15 years in jail and was ordered to return 85,000 yuan he had illegally obtained. Again his personal assets worth 40,000 yuan were confiscated. Feng Chaoyang, formerly deputy chief of the Jiaozuo City Shanyang District, and Liu Yidong, former chief of the Jiaozuo Shanyang District Coal Mine, sold the coal mine for 2.59 million yuan but told the district leadership he only got 1.8 million yuan, embezzling 670,000 yuan, of which Feng took 300,000 yuan and Liu 370,000 yuan. The two, who had returned most of the stolen money and pleaded guilty, were sentenced to death suspended for two years and deprived of political rights for life. Yu Hui, a former bank teller in Zhengzhou, embezzled 123,900 yuan of public funds from 11 May to 13 June 1994. Having returned the lion's share of the stolen money and shown remorse, Yu was also sentenced to death suspended for two years and deprived of political rights for life. Xie Rujun, a former worker at the Zhengzhou Railway Bureau, embezzled 773,975 yuan of public funds from April 1991 to October 1993. He pleaded guilty, admitted his crime to the court without reserve, and surrendered all the stolen money. He was sentenced to death suspended for two years and

deprived of political rights for life. Sun Shiyi, former deputy chief of the Bank of China Gongyi Branch, was sentenced to 13 years in jail for taking a bribe of 74,656 yuan. Zhao Jianli, former deputy district chief of the Zhengzhou City Guancheng District, received five years for taking a bribe of 15,000 yuan. And Sun Zhaoqing, former secretary of the party group of the Zhengzhou Township Administration, was given a 10-year jail term for accepting 51,680 yuan in bribes. According to Li Daoming, vice president of the provincial court, from January to late July, the courts province wide heard 965 economic criminal cases involving 1,166 persons; 776 cases have been closed and 920 persons punished. The major cases involving 100,000 yuan numbered nine, and 25 persons were found guilty in the cases. Under the verdicts which have come into force, 11 persons were sentenced to life imprisonment or death and 33 persons received a jail term of over 10 years. In another development, the Zhengzhou Intermediate People's Court also pronounced judgment on nine economic criminals involved in nine cases on 26 July. (Summary) (Zhengzhou HENAN RIBAO in Chinese 27 Jul 95 p 1)

SHANGHAI

Hong Kong Man Arrested for Operating Brothel

Shanghai police have arrested Hong Kong resident Chen Jiabin, 44, along with 27 others, for allegedly running a brothel that posed as a coffee shop. This is reportedly the largest brothel bust in the vice campaign that began on 1 June and that has resulted in the arrest of 300 prostitutes and the closing down of 200 entertainment centers. (Summary) (Hong Kong SOUTH CHINA MORNING POST in English 5 Aug 95 p 5) SHANXI

Results of Four-Month Anti-Crime Campaign

Shanxi won a victory in its four-month campaign against crime. By late July, police had cracked 17,163 criminal cases, of which 5,333 were major cases; arrested 25,046 criminals, of which 7,990 had been sent to prison or labor camps; disbanded 1,647 criminal gangs, of which 138 were gangs of hooligans and 113 were gangs involved in abducting and selling women; and discovered 56 gangs smuggling cultural relics. In particular, they cracked eight major cultural relics-related cases in southern Shanxi and arrested 12 of the 21 key criminals involved in the cases, while in northern Shanxi they made a breakthrough in cracking 34 major cases of abducting and selling women and subjected most of the cases to preliminary trial. In Hejin City, public security officers unearthed 148 drug cases in 20 days, arresting 138 persons, disbanded seven drug gangs, and cracked four major cases. Datong police

seized 381 guns of all sorts and cracked 13 cases involving firearms from 3 June to 10 July. (Summary) (Taiyuan SHANXI RIBAO in Chinese 25 Jul 95 p 2) TIBET

Lhasa Customs Cracks 'Most Serious' Gold Smuggling Case in History

Lhasa customs cracked a major gold smuggling case on Tibet's border with Nepal, seizing 89.22 kg of gold worth 10.7 million yuan. This is the most serious case of its kind in the history of China's customs. The gold was discovered on a jeep when it was about to leave the country. Three offenders have been detained and will be transferred to the public security organ for prosecution. (Summary) (Beijing XINHUA Domestic Service in Chinese 2114 GMT 10 Aug 95)

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HK1808052795 Beijing RENMIN RIBAO in Chinese
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Article by Yin Qingyan: "A Shining Practice in Tibet of the Theory on Building Socialism with Chinese Characteristics — Written for the 30th Anniversary of the Founding of the Tibetan Autonomous Region"

Article by Li Yanqi: "A Great Victory of Our Party's Anti-Japanese National United Front Policy"

Article by Rong Xin: "How Could Historical Verdicts Be Tampered With? — Interviewing Professor Zhou Xiqing, Participant in the Former Far East International Military Tribunal"

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Article by Zhong Yan: "Resolutely Oppose Any Moves of Splitting the Motherland"

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Article by Zheng Bonong: "Important Results of Contemporary Literature Creation — Reading Liu Baiyu's 'A Course of Soul'"

Article by Wen Xing: "Make Efforts To Create a Lofty Image of Kong Fansen — Comment on the Play 'Kong Fansen'"

Article by Liu Jin: "Without Knowing Life, How Can One Know Anything About Death?"

Correction to Beidaihe Meeting

HK1708020995

The following correction pertains to the item headlined "Beidaihe Meeting Discusses Taiwan Policy," published in the 16 August China DAILY REPORT, pages 17-19:

Page 18, column two, paragraph four, second sentence make read: At the Beidaihe meeting it has been determined that Chen Xitong will be removed from office as member of the CPC Central Committee's Political Bureau at the Fifth Plenary Session. (correcting location of Fifth Plenary Session)

Science & Technology

Nuclear Tests Intensified Until Treaty Effective

HK1808025995 Hong Kong LIEN HO PAO
in Chinese 18 Aug 95 p 2

["Special dispatch" from Beijing by special correspondent Lai Chin-hung (6351 6930 1347): "China Conducted Another Underground Nuclear Test Yesterday Morning, Will Conduct More Tests Before the Nuclear Test Ban"]

[FBIS Translated Excerpt] At around 0900 today, mainland China conducted another underground nuclear test in Xinjiang. This is its second nuclear test this year, following the first one on 15 May. A government source in China pointed out: As China will accede to the international nuclear test ban treaty by the end of next year, it will intensify all designated nuclear tests before then. This surely will increase the frequency and density of nuclear tests.

It is understood that communist China conducted only two underground nuclear tests last year, but will conduct three this year, and probably more next year. The source added: In view of the fact that it will not be able to conduct nuclear tests of any kind after the end of next year, and that the national defense departments and the State Commission of Science and Technology and Industry for National Defense still have quite a few tests on nuclear weapons and facilities to be conducted, there is an internal plan to conduct the tests one by one.

The source said: China's increased frequency of nuclear tests is likely to arouse the protests of neighboring countries, such as Kazakhstan, Japan, the ROK, the Southeast Asian countries, Australia, and New Zealand, but "it is necessary to recognize that China is a nuclear power," and even in the post-Cold War period, it too should have its own nuclear development policy. [passage omitted]

State Councillor Attends Technology Meeting

SK1708120195 Harbin Heilongjiang People's Radio
Network in Mandarin 1000 GMT 16 Aug 95

[FBIS Translated Text] The national meeting on industrializing new and high technology opened on 16 August in Daqing city, with the approval of the State Council and chaired and convened by the State Science and Technology Commission. This was an important meeting, convened to carry out the decision of the CPC Central Committee and the State Council on accelerating scientific and technological progress, as well as the spirit of the national scientific and technological conference and to study how to push China's new and high-tech industries to a new height.

The meeting was chaired by Zhu Lilan, vice minister of the State Science and Technology Commission. Song Jian, state councillor and minister of the State Science and Technology Commission; Yue Qifeng, secretary of the Heilongjiang Provincial party committee; Tian Fengshan, governor of Heilongjiang; and Ma Shujie, vice governor of the province, sat on the rostrum.

Song Jian made an important speech at the meeting. He said: The period of the Ninth Five-Year Plan and a fairly long time henceforth is the key period for the economic development of our country. It is imperative to change the old pattern of extensive growth of the economy, gear the economy to depending on scientific and technological progress and to upgrading the quality of laborers, and largely increase economic efficiency. This requires that we should work hard to intensify the use of science and technology and broaden the road of developing the new and high-tech industries, and attain the coexistence of pluralization, multiple ways, and multiple forms. We should transform the state-owned large- and medium-sized enterprises with new and high technology and take the road of combining production, academy, and research. The institutions of higher learning and scientific research institutes with good conditions should be encouraged to run new and high-tech enterprises. It is imperative to make great efforts to develop people-run enterprises and co-funded enterprises to promote the development of the industrialization of our country's new and high technology.

Song Jian pointed out: All localities and departments should, in line with the characteristics of local resources, bring into play their own advantages, focus efforts on developing key industries, help expand new and high technology to traditional industries, employ new and high technology to upgrade and transform large- and medium-sized enterprises into new and high-tech enterprises. Only with the development of new and

advanced technology can the economy of China develop continuously and swiftly, can the living standard and quality of people be promoted, and can the real strength of the country be increased.

Yue Qifeng, on behalf of the Heilongjiang Provincial party committee and the provincial government, welcomed the representatives participating in the meeting and introduced the situation of our province. He held: At present, we should follow the overall thoughts of economic development decided on by the provincial party committee; insist on reform and opening up; and uphold developing the province with science and education. Facing the challenges of the new technological revolution, we should radically change the economic growth form that solely depends on capital input and energy consumption, and should foster the economic growth form of mainly depending on scientific and technological progress and upgrading the quality of laborers.

Yue Qifeng pointed out: Our province should take carrying out the spirit of the national scientific and technological conference and of this meeting on industrializing new and advanced technology as an opportunity, and fully tap the greatest potential of economic development. In agriculture, we should change our province from an agriculturally large province to an agriculturally powerful province through the development of the green revolution, which mainly focuses on two kinds of breeding; and the white revolution, which mainly focuses on cultivating protected land. In industry, we should strengthen our current advantages; transform traditional industry with new and high technology; use new technology to cultivate the five new-and-high-tech industries of minicars, electronics products, petrochemical products, food, and medicine, which are technology-intensive, with wide market coverage, and with good efficiency; and strive to make our output value account for 15 percent of the total industrial output value of the province in 2000.

Yue Qifeng held: Our province should conscientiously study the advanced experiences of fraternal provinces and municipalities and carry them out in a down-to-earth manner in the scientific and technological work of our province, especially the new-and-high-tech exploration work to push the development of the new-and-high-tech industries and to accelerate the economic development of our province.

At the meeting, Xu Guanhua, vice minister of the State Science and Technology Commission, on behalf of the State Science and Technology Commission, made a work report on accelerating the implementation of the torch plan. More than 500 representatives from all over the country participated in this meeting.

Chemical Catalyst Attains Advanced World Level

OW1808041995 Beijing XINHUA in English
0301 GMT 18 Aug 95

[FBIS Transcribed Text] Jinan, August 18 (XINHUA) — An acrylonitrile catalyst developed by scientists in Shanghai has been proved to approach the level of similar products of advanced countries at a State technical assessment held here recently.

This ends the 35-year monopoly of the US-based BP Company in China in this field, said an official from the China Company for Technological Development of Petrochemical Products.

MB-86 acrylonitrile catalyst, developed by the Shanghai Petrochemical Institute in the 1960s, was put into trial operation on a production line at the Zibo Petrochemical Plant in 1989, and produced satisfactory results.

Utilization of the new catalyst will not only earn a large amount of foreign exchange for China but also cut the consumption of raw materials, said a researcher.

Military & Public Security

Defense Ministry Issues Statement on Exercises

HK1808054095 Hong Kong RTHK Radio Four
in English 0500 GMT 18 Aug 95

[From the "News at One" program]

[FBIS Transcribed Text] China has fired guided missiles and live artillery shells into seas north of Taiwan on the third day of its second round of test-firings. The statement by the Defense Ministry said Navy war planes and ships fired the missiles at a test area 160 km north of Taiwan. The vessels also test fired live artillery shells. Officials said the Chinese fired short-range air-to-air, ship-to-ship, and ship-to-air missiles.

'Knowledgeable Person' on Reason for Exercises

HK1808015395 Hong Kong MING PAO in Chinese
16 Aug 95 p A1

["Special article" by unidentified writer: "East China Sea Exercises Aim at Simulating Blockade of Taiwan, Taking Precautions Against U.S. Involvement"]

[FBIS Translated Excerpt] A knowledgeable person told this newspaper that the ongoing Chinese naval and air military exercises on the East China Sea have two major tasks: The first is to simulate the blockade of Taiwan, while the second is to conduct exercises to cope simultaneously with possible U.S. military involvement from the north in the event that Taiwan should be blockaded in the future.

The live missile and artillery exercises by the Chinese military in the East China Sea yesterday [15 August] were carried out principally by the East China Sea Fleet. The Air Force and the missile troops of the 2d Artillery played only a coordinating role.

According to the source, the missile exercises carried out late last month in the East China Sea waters to the north of Taiwan's Keelung Port were aimed at showing Taiwan that China has the capability to attack Taiwan from the Chinese mainland. The current exercises on the East China Sea are to make preparations for the possible eventual use of naval and air forces to attack Taiwan.

It is understood that the preparations include the following two points: First, the first step in the use of force against Taiwan is likely to be a blockade of Taiwan. Therefore, the current exercises will simulate the blockade of a large expanse of waters to test the Liberation Army's blockading capability. In fact, the scope of exercises as announced by the Chinese authorities is more or less one-sixth the size of Taiwan. [passage omitted]

The source pointed out: As Taiwan recently leased three cruisers from the United States that have greater artillery power than China's "Luda-class" cruisers, the Chinese military is likely to employ a new generation of submarines in the exercises to demonstrate its forces. It has not been disclosed whether the "Luhu-class" cruisers will be mobilized this time.

It has been learned that to test interdiction capability, another task of the current exercises is to experiment with the Chinese Navy's marine "interception" capability. This is because there is every likelihood of U.S. involvement should Taiwan be blockaded someday. Moreover, because the U.S. military forces in the region are concentrated principally in Japan and South Korea, which are to the north of Taiwan, the northern lane area close to the north of Taiwan has been chosen particularly for this exercise so as to simulate the interception of possible U.S. military involvement from the north. The United States currently stations 40,000 and 80,000 troops in Japan and South Korea, respectively. [passage omitted]

Chi Haotian on 'New Technology,' Other Issues

OW1708131295 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0938 GMT 11 Aug 95

[FBIS Translated Text] Beijing, 11 Aug (ZHONGGUO TONGXUN SHE) — While recently inspecting Test Ground 750 of the State Shipbuilding Corporation, General Chi Haotian, state councillor and minister of national defense, stressed that new technology in national defense means fighting capacity.

Chi Haotian said: According to things in the last more than 10 years, the development of military equipment has become a historical mission for us. Without developing the equipment, without improving technology, without holding a position in the realm of new technology, our fighting capacity would be unreliable and we would be bogged down in a vulnerable and assailable condition.

He pointed out: New technology itself is fighting capacity. With new technology, fighting capacity can be enhanced, and our armed forces can have a bright future.

Inner Mongolia Improves PLA Member Training

SK1808113495 Hohhot NEIMENGGU RIBAO in Chinese 28 Jul 95 p 1

[FBIS Translated Text] Secretaries and deputy secretaries from the party branches of the People's Liberation Army (PLA) companies stationed in the border areas guarded by the Inner Mongolia Regional Military District, who have completed their special training this year, have returned to their companies along the north borderline and led the officers and soldiers to guard the border passes by doubly heightening their spirit.

These PLA companies are stationed in the border and remote grassland, desert, and immense forests. They are staying far from their higher authorities and assuming the combat mission independently. Directives, intentions, and tasks given by their higher authorities should be organized for enforcement by the party branch of these PLA companies. Only by organizing them through the party branch can these directives, intentions, and tasks become concrete action of every officer and soldier and can these be fulfilled in a down-to-earth manner. Therefore, whether the ideological quality and working level of secretaries in these party branches are high or not, as well as whether their capability in making policy decisions and handling problems is strong or not, have a direct bearing on the overall construction of these PLA companies. In line with the directives issued by the leaders at all levels regarding vigorously grasping implementation, the party committee under the Inner Mongolia Regional Military District has successively dispatched several work groups to carry out in-depth investigations of the current situation in the ideology and work of secretaries and deputy secretaries of the party branches under these border PLA companies. Peng Cuifeng, commander of the regional military district; and Zhang Zhen, political commissar of the regional military district, took the lead in going deep into grass-roots level units to learn about the situation; to solicit opinions from these units; and to discuss the methods of dealing with problems. The regional military district

has held two more-than-15-days training classes this year with the attendance of 338 secretaries and deputy secretaries from the party branches of PLA companies. During the training classes, 125 leading cadres at or above the regiment level gave lectures. Various levels also dispatched 63 cadres from organs to temporarily take over the work of trainees in order to ensure these trainees will have time to study. Through study at the training classes, these secretaries of party branches under the PLA companies have been determined to perform their duties thoroughly and to lead cadres and fighters to closely rally round the party branch and to successfully guard the border passes.

Based on conducting ideological training, the regional military district has also organized the secretaries of party branches under the PLA companies to specially study and discuss the working methods on how to

grasp implementation. During the discussion, they unanimously contended that the key to grasping implementation lies in grasping regulations and systems. The work will become normal and practicable as long as various regulations and systems have been implemented. Many units also printed various regulations, systems, and the articles of laws into pamphlets and flow charts in a organized way in order to enable the secretaries of party branches to repeatedly study these regulations and systems by bearing their duties in mind; to enhance their sense of systems, laws, and regulations; to reinforce their concept of discipline; to upgrade their capability of doing things in line with the regulations and of conducting self restriction; to master the basic procedure and methods of grasping implementation; and to straighten out the working ideas of grasping implementation.

General

*Officials Laud Enterprise Export Results

95CE0537A Beijing NONGMIN RIBAO in Chinese
6 Jul 95 p 1

[Report by Fu Leiliu (0265 7191 2692) and Wang Weiping (5588 1627) on statements by ministerial and commission leaders at National Township Enterprise Export Conference: "Township Enterprise Export Earnings Are a Large Enterprise Gratefully Supported Without Objection"] [as translated]

[FBIS Translated Text] Township enterprises have become a key and vigorous growthpoint of China's national economy, as well as an indispensably crucial force in China's expansion of foreign trade exports and participation in international market competition. So the CPC Central Committee and State Council have praised them highly, and they have won widespread recognition both in China and abroad. At the National Township Enterprise Export Conference, several ministerial and commission leaders cited in their statements the following 1994 Ministry of Agriculture [MOA] data:

Township enterprise exports earned 339.8 billion yuan, or about one-third of China gross export value.

Over 270 township enterprises have been granted foreign trade operating rights by the state.

Township enterprises throughout China have set up over 800 factories and sites abroad.

China's 35,000 "three kinds of foreign trade" township enterprises have actually spent an accumulated \$15.68 billion in foreign investment.

With 1995 being the last year of the Eighth Five-Year Plan and 1996 the first year of the Ninth Five-Year Plan, matters such as the climate that will be faced by externally-oriented township enterprises and the ideas and plans of the national government sector are ones that all township enterprises are much concerned about.

Ministry of Trade and Economic Cooperation [MOFTEC] Vice Minister Liu Shanzai [0491 1472 0961]:

To meet our export goals for the Ninth Five-Year Plan, township enterprises developing an externally-oriented economy will have to consciously and actively make a series of changes: 1) a change of emphasis from "quantitative" growth to "qualitative" improvement; 2) a change from simple manufacture of low-grade primary products to precision and in-depth manufacture of high-grade quality goods; 3) a change from blind production of commodities to production of exports in line with

international market demand; 4) a change from a single market to a pluralistic market orientation; 5) a change from the operating modes of small and decentralized to intensive operations of scale. MOFTEC units need to better promote a "trade-industry-agriculture" alliance, to speed up the externally-oriented development of township enterprises.

1. We need to bring our "trade-industry-agriculture" alliance advantages into full play, and to push more township enterprises toward the international market. As foreign trade and township enterprises each have their respective advantages, a "trade-industry-agriculture" alliance can bring the advantages of both into full play, pushing more township enterprises that now have no foreign trade operating rights toward the international market, so that they can develop and expand through international market competition. The "trade-industry-agriculture" alliance needs to be pluralistic in form, reflecting the principles of shared profits, risks, and growth, to meet the needs of our socialist market economy and our development of an externally-oriented economy.

2. We need to continue to do a good job of building an export commodity production base for our "trade-industry-agriculture" alliance, and to provide a stable supply of export goods for export. During the Eighth Five-Year Plan, with the full cooperation of the State Planning Commission, the Economic and Trade Commission, the MOA, the Ministry of Finance, the Agricultural Bank [AB], and the People's Bank of China [PBC], we made great progress in building an export commodity base for our "trade-industry-agriculture" alliance, which played a crucial role in pushing township enterprises to develop an externally-oriented economy and increase export earnings. To speed up the development of an externally-oriented economy by China's township enterprises and expand China's foreign trade, we recommend continuing during the Ninth Five-Year Plan to build a better "trade-industry-agriculture" base by investing more in that area as national finances permit.

3. We need to implement the pertinent provisions of the State Council's National Development Document No 30 (1992), granting foreign trade operating rights to qualified township enterprises, so that they will have direct access to the international market, and be able to better develop an externally-oriented economy.

Tian Runzhi [3944 3387 0037], State Import-Export Commodity Inspection Bureau Director:

1. China's export enterprises have long been subject to the problem of stressing quantity at the expense of quality. While Chinese shoes rank first in the world in

export volume, their price is pitifully low, in some cases only a dollar or two a dozen.

2. Our second export enterprise problem is that our export goods lack name recognition, with only a single variety, inartistic packaging and decoration, and the same design and color for years, being mostly low and medium grade products that are hardly competitive.

3. Some export goods suffer severely from fake and shoddy commodities. In the export of canned mushrooms from Zhangzhou, Fujian, while the state has approved only a little over 30 enterprises for export, more than 400 enterprises are actually exporting.

4. Storage, shipping, and handling are not stressed, leaving some export goods to mildew and spoil, with too much moisture content and impurities.

5. A general problem is that after-sales service does not keep up. There is still no accurate data on the up-to-standard rate of township enterprise export goods.

We in the commodity inspection sector hold that: 1) We need to have a better understanding, and genuinely establish an awareness of "national invigoration through quality." 2) We need to set up a better quality control system. 3) All sectors need to cooperate in a concerted operation. When export goods quality problems arise, there is a severe problem of intercession by both township and foreign trade enterprises, so that if we in the commodity inspection sector are not lenient, we would respectfully ask all to forgive us.

He Linxiang [0149 2651 4382], Agricultural Bank vice president:

To better support the growth of externally-oriented enterprises, the AB is doing a good job in the following three [sic] areas.

1. We are continuing to lend more to externally-oriented township enterprises.

The AB is acting in line with commercial banking operating principles, adjusting our investment orientation and investing more, steadily investing more in externally-oriented township enterprises, and striving to come up with more funds in support of externally-oriented enterprise growth. 1) In our investment orientation, we are continuing to make support of externally-oriented township enterprise growth a credit support priority of the AB and credit cooperatives. Through means such as ordinary loans to township enterprises by the AB and credit cooperatives, special-purpose loans, AB foreign exchange loans, and loans from the World Bank, Asian Bank, and intergovernmental loan capital, we are investing more in externally-oriented township enterprises, to form a pooled investment of banking

with private funds and renminbi [RMB] with foreign currency funds. 2) We are continuing to grant exclusive "trade-industry-agriculture" loans, and to build our "trade-industry-agriculture" export commodity production base. Our bank is operating according to commercial lending principles, orienting our lending toward excellence. 3) Through providing medium-and-long-term loans to contractual joint ventures and working capital loans once such ventures go into operation, we are actively guiding foreign investment toward externally-oriented township enterprises. 4) We are invigorating our inventory, adjusting our structure, and tapping our existing fund potentials.

2. We are stressing support priorities, and adjusting and improving our credit policy toward externally-oriented industries and enterprises.

For externally-oriented township enterprises in developed areas, we are giving priority support to the technological upgrading and progress of key technology-intensive export-earning enterprises and group enterprises that organize their production operations according to international criteria and have low assets liability ratios, good efficiency of scale, and high science and technology [S&T] content. For externally-oriented township enterprises in undeveloped areas, we are continuing to make low exchange cost, labor intensive, and raw materials manufacturing enterprises our credit support priorities. In short, in line with international market conditions and current practice, as well as with China's foreign trade policy, we are placing our credit priority for externally-oriented township enterprises on higher product quality and economic efficiency. We are gradually changing from support for externally-oriented township enterprise "quantitative" growth to an emphasis on "qualitative" improvement, changing our support orientation from resource development and primary product manufacturing to high quality in-depth manufacturing, changing our support for single-product enterprise production to diversification and systematic development, and changing our support from labor-intensive products to high S&T content and technology-intensive products; and also combining our rural workforce advantages with S&T advances, lowering exchange conversion costs, and improving product quality and efficiency. We are restricting and suppressing loans to recklessly-established externally-oriented projects for which the self-raised funds and foreign investments do not arrive, and for export-earning enterprises that are inefficient and sustain losses.

Wu Baolin [0702 1405 2651], State Planning Commission [SPC] deputy secretary general:

One of the major reasons why township enterprises have been able in recent years to maintain a good growth momentum in the midst of a complex economic climate, and thus make a crucial contribution to the rapid growth of our national economy, is that they have been better at taking advantage of both domestic and overseas resources, being good at breaking into both domestic and international markets, fully developing their own advantages, taking an active part in international market competition, and vigorously developing an externally-oriented economy. In the next five years, township enterprises will assume a particularly heavy responsibility in the historic course of developing our socialist market economy and realizing China's second strategic objective, with their competitors in the development of an externally-oriented economy being more numerous and stronger, and the scope of competition also being broader and deeper. But as township enterprises still have many weak links as to forces, systems, and management, they will need to accelerate their pace of reform to adapt to new conditions, continuing to do a good job with internal changes.

1. They will need to change their enterprise structure to a group orientation headed by leading enterprises. Through some dozen years of development, township enterprises have produced a group of leading export enterprises with a certain amount of international market share and good competitive strength. During the Ninth Five-Year Plan, we will need to develop a group of large and medium township enterprises that produce mostly for export, for an overall enhancement of our township enterprise export production strength. So the state will take a series of essential support steps, while township enterprises will have to take the initiative to actively set up group enterprises.

2. They will need to change their export production to better efficiency dominated by hot-selling products. During the Ninth Five-Year Plan, township enterprise export production will need to make its main line of attack the development of products with high added value, high technology content, good name recognition, high market share, and high economic efficiency.

3. Grounded in their current production, they will need to change their mode of production to a trade-industry integration.

During the Ninth Five-Year Plan, in line with overall state requirements for foreign economic relations and trade, township enterprises will need to continue to lay the foundation for the development of an externally-oriented economy, while acting in line with the demands of a modern enterprise system to improve their management, emphasizing quality, improving grades, and

raising efficiency. The SPC will cooperate with the pertinent sectors in macroeconomic regulation and control to intensify support and guidance for township enterprises. As to industrial, fiscal and monetary, and foreign economic relations and trade policies in particular, we will actively guide and support township enterprises in industrial upgrading and conversion of their economic growth form; and gradually form a group of internationalized externally-oriented group enterprises combining agriculture, industry, technology, and trade; and focus on outstanding enterprises and products and key enterprises, to bring about an overall improvement in our township enterprises.

***Symposium Explores Vitalizing State Enterprises**

95CE0535A Beijing ZHONGGUO GAIGE [CHINA REFORM] in Chinese 13 May 95 No 5, pp 6-10

[Summary of Viewpoints from Symposium Participants]

[FBIS Translated Text] Editor's note: State enterprise reform tops the agendas of the meetings of the National People's Congress and the CPC National Congress this year and is also the focus of economic restructuring in 1995. To give more depth to state enterprise reform research, the Scientific Research Department and Correspondence Institute of the Central Party School, the editorial department of DANGXIAO KEYAN XINXI, and other units have jointly convened a symposium at the Central Party School on the "theory of deepening state enterprise reform." It was attended by more than 80 people including leaders from the interested departments under the CPC Central Committee or in the central government, a number of well-known scholars and experts in Beijing, entrepreneurs, and representatives from the news media in the capital. Symposium participants put forward many insightful and constructive suggestions regarding the problems facing state enterprises today, the obstacles to reform, overall strategy, specific measures, and some theoretical issues. This magazine hereby publishes the main viewpoints of some of the participants for reference by the general readership.

Establishing Effective Company Management Structure by Wu Jinglian [0702 2417 8834], researcher at the Center for Development Studies, State Council

Property losses by state enterprises are a serious problem. Deepening state enterprise reform is imperative if public ownership and the socialist economy are to be safeguarded. But how? The "decision" has given a correct answer to this question, which is to establish a socialist market economy and create a modern enterprise system; in other words, establish a modern company system and turn enterprises into companies. The creation of an effective company management system lies

at the heart of any effort to turn enterprises into companies. Three issues must be resolved before we can achieve this goal:

1. There must be a diversification of shareholders and public ownership, thus solving the "absentee owner" problem at the root. After enterprises are transformed, the representatives of state property rights should be the public capital management committee under the appropriate People's Congress. As the committee is the representative of state capital, its members should be appointed by the People's Congress. The committee should name the directors of shareholding companies to form a company board of directors. Below it should be level one shareholding organs, which should be bona fide enterprises. Measures must be adopted to step up supervision over the committee.

2. The principle for resolving the contradiction between the existing cadre system and the establishment of a legal person management structure and the principle of company legal person management: Convene a shareholders' meeting and appoint a board of directors, one of whose responsibilities is to hire high-level managerial personnel to be in full charge of the company's day-to-day operations. In the past, we followed a state enterprise cadre management system under which personnel were selected from among cadres in the organization departments outside the enterprises. This practice diminished the effectiveness of the board of directors in supervising high-level managerial personnel on behalf of the shareholders. It also violated the principle of separating ownership from management. For this reason, this personnel organization system must be changed.

3. Control "insider control": The so-called "insider control" issue is actually the absentee owner issue and is related to the mismatch between a residual power to control and a residual power to demand payment. While it enhances the enthusiasm of both managerial personnel and the rank-and-file worker, "insider control" leads to the distortion of the company managerial structure and encourages managerial personnel to impair shareholders' interests or shareholders' outside interests, resulting in wasted resources. Therefore, ensuring the presence of the owner is fundamental to controlling "insider control." Some economists propose using banks to control "insider control." The salient features of such a system are: 1) Banks are allowed to own shares; 2) the principal lending banks may name their own personnel to sit on the board of directors; 3) when enterprises run into financial trouble, banks should be allowed to intervene. However, before assisting industrial and commercial enterprises, we must first shake up banks by giving them an effective company management structure.

Rectify the Structure and Raise Profitability by Gao Shangquan [7559 1424 0356], vice president, China Restructuring of the Economic System Research Society

The state enterprise reform strategy should focus on China's state economy as a whole and must be designed to improve the profitability of the entire state economy. Every state enterprise cannot be vitalized; if some enterprises are to be saved, others must perish. Otherwise none can be vitalized. This is a dialectical relationship. The key here, I believe, is to cut back where appropriate, adjust the structure, and improve profitability. Give extra support to those enterprises that are the lifeblood of the economy; curtail as appropriate other enterprises, particularly small enterprises, that do not impact the lifeblood of the national economy. Enterprises whose products have no market, are not profitable, have more liabilities than assets, and have no hope of turning losses into profits should be declared bankrupt, merged, or acquired. At the same time, adjust the structure and raise profitability. Therefore, we must do a good job in these areas: 1) To ensure that state assets do not depreciate and even appreciate, we must continue to work to enable existing state properties to circulate properly and adjust the product mix of enterprises. 2) Have a correct understanding of legal person property rights. The "Decision" of the 3d Plenum of the 14th CPC Central Committee contains two important theoretical breakthroughs; one is legal person property rights, the other is labor market. Legal person property rights go one step beyond original management power. It is related to but transcends management power. The concept of legal person property rights helps puts the national economy on the right track and helps turn enterprise decision-making authority into reality. 3) Intensify the reform of small state enterprises. Shorten the front by focusing on the priorities. Shortening the front would be a plus for the national economy. Ensure the survival of key small enterprises by leasing, contracting, joint venture, sale, and other means. 4) Make greater use of merger, acquisition, and bankruptcy among state enterprises. 5) Separate government functions from enterprise functions. It is really up to the government to solve this problem. The State Council must commit itself to streamlining and abolishing departments that directly manage enterprises. If some departments cannot be abolished right away, they should be made to change their functions and duties. Comprehensive departments should augment their service functions. 6) Unify our thinking and fight for time.

Reform the Practical Forms of Public Ownership by Wang Yu [3769 6877], central party school professor and president of the China Market Economy Study Society

1. The direct objective of state enterprise reform is to bring about the merging of the socialist economy and market economy; in effect, the merging of public ownership and market economy. State enterprise reform is intended to come up with practical forms of public ownership. The traditional system of state ownership took shape in a highly centralized planned economy. It cannot become part of the market and is incompatible with the market economy. Therefore, we must change the traditional form of state ownership and establish a modern enterprise system. Only then can public ownership be integrated with the market economy.

2. Guiding principle and guiding thought behind state enterprise reform. To reform state enterprises, we must proceed from the perspective of the overall national economy and not from that of each individual enterprise. The existing structure of state properties must be adjusted through reform. At present, state properties are spread too thin, too wide. That must be changed. Concentrate state properties in those industries and enterprises that constitute the lifeblood of the economy. Focus on a number of large and mid-sized enterprises that have a solid foundation, form the mainstay of the economy, and set the pace for others. Establish a modern enterprise system. If enterprises are vitalized, they can drive the whole economy. Keep a tight leash on the big ones while deregulating the small ones. In the case of some mid-sized enterprises and numerous small enterprises, we may introduce a worker shareholding system or shareholding cooperative system. In so doing, we will be able to concentrate state properties in the most important enterprises. State enterprises in industries that enjoy economies of scale, are unique, and that are monopolistic in nature should be wholly owned by the state. The state also should have a controlling stake in enterprises industries that are the foundation or mainstay of the economy or that set the pace for others. The state may also own shares in ordinary enterprises.

3. What is most important in state enterprise reform at the moment is to clarify who are the main reformers, who are really responsible for reform. The principal reformers are three-fold: the government, enterprise leaders, and workers, with the government in the leading role. That is why we say the government is the leading reformer.

I have always believed that the property rights issue is not a monopoly of bourgeois economics. Time and time again Marx and Lenin referred to the property rights issue. Ownership is a structurally complex issue that can be examined at several levels. Ownership is not simply an issue of what belongs to whom. What belongs to whom lies at the heart of ownership, but ownership is a bigger issue than that. Ownership includes the power

to control, occupy, use, manage, and distribute, as well as many other powers and functions. When productive forces are developed, when socialization is furthered, and when the commodity economy, especially market economy, takes off, ownership becomes fragmented. What we call property rights actually are a tangible form of ownership or properties. To clarify property rights is to reconfigure the various powers and functions of property rights and clearly define the different responsibilities of different players. It does not affect who ultimately owns what. Nor will it alter the social nature of properties. Therefore, property rights reform, that is, the reorganization of property rights, will not lead to private ownership.

Establish a Correct View of Property Rights by Wu Jiajun [0702 1367 7486], researcher at the Chinese Academy of Social Sciences

There is no denying that enterprise property rights are objectively existent. What are property rights? That has always been differently interpreted. We must establish a correct view of property rights as a way of guiding state enterprise reform. A correct view of property rights does not proceed from quantified personal property rights, but is based on the essential characteristics of a modern enterprise system.

1. The essential characteristic of a modern enterprise system is limited liability. The modern enterprise system we must create is a company legal person system that meets the requirements of a developing modern market economy. That is, the company assumes limited liability with its legal person properties. Only this type of company legal person can assume risks and meet the requirements of a developing modern market economy.

2. Limited liability must be predicated upon well-defined property rights. Limited liability in reality means the investor (be it government, individual, or enterprise legal person) assumes limited liability with the actual amount of capital funds it has invested and all the enterprise's properties. For this reason, it is imperative that the properties of the company legal person be precisely delimited, thus drawing a clear line between the enterprise's legal person properties, on the one hand, and the investor's other properties, on the other. Herein lies the essence of clarifying property rights. The purpose of establishing a modern enterprise system and the fundamental problem we must resolve is to transform state enterprises for which the state assumes unlimited liability into legal person enterprises of limited liability. It is only on the basis of well-defined property rights and of limited liability that we can develop a string of operating mechanisms appropriate for a company system.

3. Recognize the consistency between enterprise legal person property rights and the preservation of the state's ultimate ownership. To establish an enterprise legal person property rights system, we must take what started out as total ownership and divide it into the investor's ultimate ownership and legal person ownership. Legal person ownership includes the power to dispose of legal person property rights, the right to be a beneficiary, the responsibility to repay debt, and accountability for profits and losses.

An enterprise's total properties can be divided into two kinds of funds: other capital and self capital. Other capital, in turn, comprises three parts: capital funds, reserve funds, and residual funds. About other capital, as far as enterprises are concerned, this is the relationship between creditor's rights and debts. Since the investor owns the creditor's rights, this portion of the funds and the properties formed thereof cannot accrue to the investor again but should belong to the enterprise. Next, about the capital funds in self capital. This is what the shareholder has invested. Its value should be equal to the face value of shares that have been sold. This portion of the funds and the properties formed thereof belong to the enterprise legal person. Third, about the reserve funds and residual funds, which form part of self capital. These are funds withdrawn or deposited in the course of an enterprise's operations, including a substantial portion made up of the capital gains earned when shares are issued at a premium.

We can thus see that self capital does consist of a large chunk of properties that are not quantified and distributed among shareholders or employees. Instead they belong to the enterprise legal person until the enterprise legal person ceases to exist as such. At that time, they would revert to the ultimate ownership of the investor. Therefore, to interpret enterprise legal person property rights as the investor's ultimate ownership does not contradict the notion of enterprise legal person ownership. It will not cause the loss of state properties which is happening at the moment.

Put Equal Emphasis on Reform of Productive Forces, Relations of Production by Xie Shirong [6200 0013 2837], central party school professor

We adopted a series of measures and issued 47 documents with over 800 provisions to reform state enterprises between 1979 and 1994. These measures have been effective to various degrees and have tentatively solved the many contradictions and problems state enterprises inherited from the traditional planned economy. By and large, however, state enterprises have not been vitalized. The reason is that the reform effort in the past emphasized exclusively the reform of mechanisms

and systems in the relations of production, while ignoring the transformation of productive forces, such as technical progress, equipment modernization, and management science. This is also where the more deep-seated contradictions and problems of the state enterprise lie. To energize state enterprise reform, we must work on both fronts in a coordinated comprehensive way.

First, the state enterprise is where socialist production relations and productive forces converge. Whether or not they are compatible with each other will directly determine the success of enterprise vitalization. Right now, what is conspicuously wrong with state enterprises is that the two are not compatible. As far as production relations are concerned, the state enterprise has not yet become a bona fide legal person entity that is oriented toward the market, domestic or foreign, and a principal competitor on the market. Turning to productive forces, because the old system took a "kill-the-goose-that-lays-the-golden-eggs" approach, state enterprises were saddled with a heavy burden, were slow to adopt new technology and equipment, and practiced backward management. He might be the most active element in productive forces, but the enterprise employee had little sense that he was the master in control and showed little enthusiasm. Also plaguing the state enterprise for years were a high debt ratio and heavy social obligations. It is particularly important that we intensify the coordinated reform of productive forces today. The "three-reform" policy put forward by the CPC Central Committee is intended to attack this problem and should be implemented in earnest. If we look at what is actually happening, we see that all of the more profitable enterprises have transformed their mechanisms and conducted technological transformation steadfastly. Their profitability is the result of a firm insistence on tackling relations of production and productive forces together.

Social Security System Top Priority in Deepening of State Enterprise Reform by Wu Xiaoping [0702 1420 1627], deputy general manager of Chinese People's Insurance Company

The state enterprise is faced with a host of problems which it is not in a position to resolve on its own. Only the creation of a social security system by society as a whole can solve these problems.

1. The establishment of a social security system is intended to ensure the nation's long-term stability; to sort out the relations among the state, the enterprise, and the individual; to coordinate with the creation of a modern enterprise system; and to create the external environment for the vitalization of enterprises. A social security system is based on social mutual help and

fairness. It must be broad enough in coverage to achieve the effect of mutual help in accordance with the principle of large numbers. It is difficult and overly ambitious to aim for a national standard right away. At a minimum, we should take the province as the unit and work hard to achieve a national standard in the not too distant future. We should not advocate limiting a social security system only to those profitable industries and localities. Because of differences in understanding and the influence of the interest mechanism, a social security system should not be based on the principle of voluntary participation. Instead, it must be written into law by the National People's Congress.

2. About the standards of old-age pension and unemployment insurance. In a macroeconomic sense, social security should exist at multiple levels. Old-age pension insurance and unemployment insurance are basic insurance. They are a low-level insurance like voluntary commercial life insurance. Social security funds should come from three sources: the state, the enterprise, and the individual. The problem is that the individual contributes too small a share, which militates against creation of a bona fide social security system and the raising of insurance awareness among the people. In the future, the personal account system and fund-accumulation method should be used more and more extensively.

3. It has been 10 years since China began experimenting with old age pension and unemployment insurance. Although there has been some success, problems still exist. There is no uniform practice across the nation. Social insurance is not commercial insurance. Multi-unit competition is neither permissible nor necessary. The state should create special agencies to be in charge of supervising, managing, and operating social insurance. The supervisory body should be totally separate from the operating body; the two should keep each other in check. Under no circumstances can we turn the operating agency into an appendage of the supervisory body or into some tertiary-industry organ. Social security is not designed to make a profit. However, it should be run using economic methods to provide society with high-quality services at minimum operating costs.

Adjusting Assets to Liabilities Ratio of State Enterprises by Dai Xianglong [2071 4161 7893], vice president of the People's Bank of China

According to a survey conducted last year by the State Economic and Trade Commission on large and mid-sized state enterprises in 16 experimental cities, their assets to liabilities ratio was 70.2 percent on the average. Based on data from the State Administration of State

Property, the average assets to liabilities ratio among 124,000 state enterprises is 75.1 percent. Factoring in more than 400 billion yuan in net enterprise property losses and overdrawn accounts boosted the ratio to 83.3 percent. There are many reasons why numerous state enterprises have fallen behind in their loan repayment. One reason is that under the highly centralized planned economy, state enterprises for years failed to become truly independent legal persons. The failure to create a capital fund system has gradually reduced credit funds to government revenue and capital. Another reason is that state enterprises stress growth rate while overlooking management and have a slim margin of profit. Third, the financial system is highly centralized and credit is concentrated in state banks.

We need to augment capital funds in order to adjust the assets to liabilities ratio of state enterprises. In the case of the 124,000 state enterprises alone, we need to augment capital funds by 950 billion yuan to lower the assets to liabilities ratio from 83 percent to 60 percent. Even more capital funds would be needed to lower the ratio of all state enterprises. Where can we find these funds?

In my opinion, we should adopt a "first-rely-second-supplement-and-third-combine" plan. Under such a plan, we rely primarily on the self-accumulation of state enterprises and adjust the existing volume of properties. Second, we supplement self-accumulation with investments by urban and rural households and financial aid from the treasury. Third, with enterprise reform, financial reform, and fiscal reform working together, we expect it would take 5 years or so of effort to lower the assets to liabilities ratio of state enterprises to below 70 percent. Toward that end, we should take the following measures:

First, stick with enterprise reform, improve enterprise management, and heighten the enterprise's self-accumulation ability. Firmly hold down the assets to liabilities ratio. Establish a capital funds management system. Require enterprises to use a set percentage of after-tax profits to supplement capital funds. Second, enterprises that lose money chronically, have more liabilities than assets, and cannot repay their loans must be declared bankrupt, merged, or acquired in accordance with a plan. That way, the existing volume of state properties can be adjusted and their quality improved, thus lowering the assets to liabilities ratio of state enterprises. Third, guide urban and rural households to invest in industrial and commercial enterprises. Fourth, the treasury should adopt an aid policy. Boost enterprise capital by increasing revenue and cutting expenses. Also, we may issue a predetermined amount of special bonds each year to adjust the

capital structure of state enterprises. Fifth, after making an inventory of enterprise properties, we should adopt a credit management system that differentiates among different enterprises. Using bank credit as an economic tool, we should encourage dynamic enterprises that have development potential and force into bankruptcy those that have been losing money heavily or have more liabilities than assets. Alternatively, they may be merged or acquired in accordance with the law.

***Price Reform, Other Issues Noted at Symposium**

95CE0522A Beijing JIAGE LILUN YU SHIJIAN
[PRICE: THEORY AND PRACTICE] in Chinese
20 May 95 No 5, , pp 4-9, 15

[Article: "On Price Reform, Drawing Up Ninth 5-Year Plan Blueprint—China Price Society Convenes Ninth 5-Year Plan Price Reform and Anti-Inflation Symposium"]

[FBIS Translated Text] *On 14 April, the China Price Society invited some ten economists and scholars with extensive expertise to discuss price reform and anti-inflation issues in China's Ninth 5-Year Plan. This periodical has excerpted their speeches and arranged them below in the order that they were delivered.*

Cheng Zhiping [2052 5268 1627](member of the Finance and Economics Committee of the National People's Congress and president of the China Price Society) Recently, the China Price Society held an inter-session meeting at Guilin, Guangxi. Before the meeting, Chen Jinhua [7115 6930 5478], State Planning Commission chairman, gave us written permission to study the issue of the Ninth Five-Year Plan price arrangement at the meeting. Because it was a short meeting, we were unable to discuss it fully. We mainly listened to local suggestions and did not listen to the ideas of relevant central departments and sectors. So, now we invite all of you to discuss it together and take the time to pool your wisdom and jointly select common proposals.

Now I will brief you on what we discussed at the Guilin meeting. There were three main ideas.

The first idea was the belief that it is inadvisable to set price rises in the Ninth Five-Year Plan low. They said that it is not a question of holding Ninth Five-Year Plan price rises at one or two digits, but a question of whether they can be held within three digits. In controlling our overall national price levels, we cannot look to developed countries such as Germany and Japan. Nor can we look to Southeast Asian countries such as Singapore, Vietnam, and Thailand. Ours is an economy that is converting systems, like the Commonwealth of Independent States and East European countries. These

countries' price indices in recent years have gone up by several hundred or several thousand, and last year the average rise was still double digits. We must go from the past incomplete prices (state subsidies) to complete prices, and price rises are unavoidable. So, in the Ninth Five-Year Plan we cannot hold price levels too low. They believe that controlling price rises at 21.7 percent last year was a very extraordinary achievement. Compared with the price rises of the Commonwealth of Independent States and East European countries, our rises were actually too small. If we control prices too tightly, it will not be favorable to economic development. If we affect economic growth, the problems that will occur could be even greater than price problems. The rate of economic development should be high, unemployment should be small, and prices will inevitably rise more.

The second idea advocates setting price increases at single digits, generally less than 10 percent. They say that, over the long run, various sectors cannot tolerate double digit year to year price increases and it is not good for stability. We must devise a way to hold price increases at single digits. Annual increases should not exceed 10 percent. Certainly setting them too low is also unacceptable. Setting them too low affects the rate of economic development. Because controlling the issuance of currency too tightly affects enterprise production and affects the supply of operating funds, it goes on to affect the rate of economic development. If the rate of development is too low, the contradictions and problems of various sectors can be even greater. Recently Comrade Li Gonghao [2621 0501 6275] published an article in *Price Theory and Practice*. His basic viewpoint was that currency should be controlled, but the production of marketable things still should be supported and we should not affect the production of marketable commodities suitable for sale by controlling currency. Capital construction should be controlled, but operating funds still should be appropriately relaxed a little bit. So, it is inadvisable for prices to increase too much and it is inadvisable for them to be held too low. It is best at less than double digits.

The third idea believes that it is best to maintain price increases at 5-6 percent. From 1979 to 1992, the average price increase was 6 percent. If we calculate it progressively, it was 4.6 percent per year. They hope that in the Ninth Five-Year Plan retail price increases can return to this level, maintained at 5-6 percent per year, and the rise in the consumer price index can generally be maintained at about eight percent.

We believe that in studying Ninth Five-Year Plan price levels, we also must pin down such things as the rate of economic development, the scale of fixed asset investment, agricultural production, industrial performance,

and fiscal and monetary policy. If we want to get a reasonable grasp on price increases, it involves the dynamics of overall macroeconomic controls, beginning with intensified reform. With China's specific situation, controlling fixed asset investment is a primary thing and consumption funds also cannot be rashly increased. Actually a very large portion of consumption funds are transferred to savings. The fact that savings have risen so fast in recent years indicates that consumption funds by no means totally form actual purchasing power. Consumption funds and purchasing power are not all together the same concept. The portion of consumption funds transferred to savings can by no means pull up prices. Some say that the rate of increase in fixed asset investment the last few years has not been high. Last year the increase fell to 27 percent. If the retail price increase factor is taken off, it was only 7 percent. Actually this way does not totally conform to the facts, because fixed asset investment is closely related to capital goods prices; and we cannot use the percentage of the rise in the consumer price index to reduce it. These are two different things. Some people maintain that fixed asset investment is more extensive reproduction than depreciation and cannot increase from year to year. Some say that the main cause of price increases is that agriculture does not go up. A comrade in the agricultural sector says that agriculture's not going up has a great relation to the excessively large scale of fixed asset investment. All the money is being used in non-agricultural investment. All the leadership's energy is concentrated in capital construction and opening zones. Of course agriculture cannot go up. Quite a few people maintain that the rate of investment in the Ninth Five-Year Plan should be held at about 30 percent. China's rate of investment in the 1980s averaged 27 percent, and the 35-39 percent rate of investment in recent years is too high. The key to controlling fixed asset investment is reforming the investment system. The main body of fixed asset investment should be changed to be borne by legal persons. If this problem is not resolved, the craving for investment will never be able to be resolved. If it is truly changed to legal person responsibility, it can consider whether after the investment the products can actually be sold or not, whether the investment policy is appropriate or not, and whether or not it pays a return on the investment. If the issues of not distinguishing government and enterprises, the main body of investments' not being clear, investments' not being accounted for, and not stressing performance, cannot be resolved, the issue of controlling the excessively large scale of investment during the Ninth Five-Year Plan cannot be resolved.

In sum, how to arrange price levels during the Ninth Five-Year Plan involves numerous macroeconomic con-

trol issues, and if we want to study the issue of prices, we must also study related issues. We invite all of you to make valuable suggestions on how intense and how accelerated reform of various sectors should be, and we will sort them out and reflect them to the leadership.

Ma Kai [7456 0418](vice chairman of the State Planning Commission and advisor to the China Price Society) This is the last year of the Eighth Five-Year Plan and relevant departments are making intense efforts to formulate the Ninth Five-Year Plan for the national economy and social development. An issue that everyone is extremely concerned about is what will be the trends for price reform and inflation during the Ninth Five-Year Plan, because it is directly related to rate of growth of the national economy and the rate of improvement in living standards.

I believe that as far as the historical transition is concerned, for the Ninth Five-Year Plan into the beginning of the next century, overall price levels will manifest a rising trend. This is determined by the stage of development where China is located, because China is facing three transformations. The first is that from the perspective of reform China is in the period of conversion from a planned economic system to a market economic system. During this period, the national economy must be market oriented and commodity prices must be rationalized, including costs from incomplete costs to complete costs. This will inevitably elicit a rise in the overall level of prices. The second is that from the perspective of development, China is at the stage of transition from subsistence to being comparatively well-off and from being comparatively well-off to the level of a medium-developed country. At this stage, the prominent characteristic of the development of the national economy is that overall demand often exceeds overall supply, and this situation is still difficult to change in the short-term. As far as demand is concerned, since we want to accomplish a two or three step transition, it requires that economic growth be maintained at a certain rate, and this rate at the present stage depends mainly on increasing input and non-scientific and technical progress to be realized. Whether investment is expanded or consumption is expanded, overall demand is rather large. From the perspective of supply, because the level of productivity still is in the growth stage and relatively low, it cannot produce sufficient materials and products to support and satisfy demand. With this type of macroeconomic background, the overall level of prices will inevitably tend to rise. The third is that from the perspective of the opening to the outside, China still is gradually converting from the closed country of the past with its economy having very little dependence on the outside to interconnection between domestic and foreign markets. During

this conversion, domestic and international prices will go from essentially being disconnected to essentially being connected. China that for a long time had low basic commodity prices will gradually draw closer to international market prices. In addition, the renminbi [RMB] is constantly being devalued. All of this will cause the overall level of domestic prices to rise.

When analyzing and grasping overall price levels, we must distinguish the structural rising factors from inflationary factors. If we confuse these two factors, we cannot reflect China's price situation as it really is. Sometimes overall price levels are rather high, but that does not necessarily indicate that the overall economy is overheated and the scale of investment is too great. Sometimes overall price levels are not too high and it does not necessarily indicate that the overall economy is not overheated. So, in formulating a plan for overall price levels, we cannot just have an indicator of overall price levels; we also must analyze generally how great a share the structural adjustment factor makes up and how great a share is the factor of the possible occurrence of an inflationary chain.

In setting up overall price levels, how much actually is appropriate? We cannot just discuss prices in terms of prices, because overall price levels have an inseparable relation to the entire macroeconomic environment. In other words, the macroeconomic environment determines overall price levels. As far as past experience and international practice are concerned, there are two basic principles that can be consulted:

The first, from the perspective of production, is that the overall level of price increases cannot be higher than the rate of interest on loans. That is, it cannot form negative interest rates. If it creates long-term negative interest rates, it is difficult to resolve the problems of investment inflation and consumer inflation.

The second, considering the perspective of livelihood, is that the nominal rate of price increases should be lower than the rate of increase of real income, because the rate of price increases for a certain period is determined by the rate of increase of workers' and farmers' actual income for the same period. We should ensure that the actual rate of increase for Chinese residents is a true figure and that the standard of living is constantly rising and not declining, and on this premise arrange the rate of price increases.

Yang Shengming [2799 5110 2494](president of the Finance and Trade Materials and Goods Economic Research Institute of the Chinese Academy of Social Sciences and standing member of the Board of Directors of the China Price Society) We hope to hold price levels within 10 percent during the Ninth Five-Year

Plan and not let them exceed double digits; but we will have a great deal of difficulty accomplishing that with the supply and demand of the Ninth Five-Year Plan. There are two major problems with supply during the Ninth Five-Year Plan. One is an agricultural problem and one is a state enterprise problem. It will be rather difficult to make distinct improvement on these two problems during the Ninth Five-Year Plan. The agricultural problem is great. There are many overdue accounts and it will be difficult to make them up in a short period of time. In addition, agricultural production is seriously restricted by the natural environment and its production cannot go up in a short period of time. The key to state enterprises is in their performance. That is the proportion of input to output in state enterprises. China's national economy now is still an extensive economy. Only if it has a high input can it have a high output. But conversion from an extensive economy to an intensive economy with low input and high output cannot be done in a short period of time. As regards demand, that is consumer demand and investment demand, it is very vigorous. So, there is a great possibility that overall price levels will break into double digits during the Ninth Five-Year Plan.

In converting from a planned economy to a market economy, Eastern Europe and the former Soviet Union were unsuccessful. High inflation occurred in both. And our present high input-high output extensive economy is the same as the former Soviet Union. So, we must not only look to the dissimilarities with the former Soviet Union but we also must look to the similarities. The price issue is a performance issue. If we want to improve performance, we must improve the internal capability of enterprises to digest. Otherwise, ultimately it will be exhibited that enterprise performance will be unsatisfactory and price levels will rise. As regards agriculture, there is no longer much room to raise the prices of agricultural products. I favor agricultural product prices slightly higher than international prices, but they cannot be too much higher. Otherwise, in the future, the country will not be able to tolerate the subsidies nor will it be able to accept the international pressure after "duplicate tariffs." I think that the way out for agriculture is whether or not it can establish an agricultural development fund with the people running agriculture. Now most agriculture run by the people remains at the talking stage. It must be truly implemented. Establishing an agricultural development fund, like the energy and transportation funds of a few years ago, is an authentic move for the people running agriculture, and I hope that it is accomplished as quickly as possible.

Xu Yi [6079 3015] (Researcher at the Ministry of Finance Financial Science Research Institute and advisor

to the China Price Society) Speaking from the present out-of-control situation, there is no way to predict price levels during the Ninth Five-Year Plan. So, in order to determine policy goals, we must first clearly understand what countermeasures should be adopted for currently existing problems. When we have the countermeasures, we will have the orientation for the struggle and we can formulate a goal.

The goals put forth by the Price Society can be accomplished. The key is how we deal with a few problems in current economic operations and what kind of measures we have the determination to adopt.

(I.) There is obvious confusion in price policies and price order. For example, the state has set a highest price limit of 1,400 yuan/ton on urea, but everyone says that it cannot be done. First there is the constantly rising prices of the producing factories' raw materials, coal, and electricity and water fees. Upstream product prices cannot be controlled and producer prices cannot be controlled. Second, highest price limits are specified for producer prices, but at the same time factories also are permitted to sell a portion themselves at prices that can be higher than this highest price limit. So, this highest price has no boundary. This still is the state permitting "dual track pricing" and destroying the state pricing policy. The result of this is self-disarray and what is said does not count, thus setting the bad example of a "self-destructive sect." Third, in addition to the highest price limit stipulated by the state, not only is the producing factory permitted to have a "dual track price," but also the province and locality also are permitted to arrange an agreed upon negotiated price on their own. This also gives the circulation sector a backdoor to automatically raise prices that is not a backdoor. This is a second "self-destructive sect" state policy. And how can there be strict enforcement of orders and prohibitions to bring agricultural materials into the norm? Fourth, the state's policy toward agricultural capital goods business enterprises is the "theory of an enterprise-based economy" of "self-accumulation," "autonomy," "self-development," and "responsibility for one's own profits and losses." So, the supply and marketing sector from level to level must "seek their own livelihood" and "seek their own development." So, everyone must "look to money." When merchandise comes, they try by every means to "sell it at a high price," even openly sending special people or contracting with employees to pull off a "private sale" of the merchandise. The price of urea in the wholesale sector has already reached 2,200 yuan and above per ton. Going further down to the county and township, it goes without saying that state-run enterprises are placed by the state in the position of independent commodity businesses. Under

these circumstances, how can we say that it is easy for the state to determine Ninth 5-Year Plan price indices.

(II) State enterprises have quite a few predicaments. As far as state-run production enterprises are concerned (indicating major large and medium-sized enterprises), they are the true economic foundation of our socialism and our superstructure is determined by them. But in the last decade or so, state investment in reform has fallen. Even though it has been thirty or forty years since the large enterprises were newly-constructed in the First Five-Year Plan and new technology has become old. In the twenty years since the Gang of Four was smashed, they have not been invested in and their technology has not been able to be updated. Although every year they borrow from banks, introduce foreign funds, and issue stocks to update these enterprises, because they lack a technology policy and an industrial policy, the majority of the enterprises are unable to obtain investment, and the difficulties of state-run enterprises pile up. With the main body of the national economy in this state, who will be in control of the market—the socialist market? With the current unsound situation of various laws and regulations, the market is freed. The state pricing policy and price indices cannot control themselves. Setting Ninth Five-Year Plan goals in this way, may we ask how much certainty is there?

(III) Monetary regulation. Bank sources of funds already far exceed the GNP. It is said that national banks have more than 4 trillion yuan and financial institutions other than national banks are estimated to have 1.5 trillion yuan. Together they have approximately from 5 trillion to 6 trillion yuan. Foreign exchange reserves exceed \$50 billion. Why, with making funds very tight and a great increase in the amount of savings deposits and strict control of the issuance of currency, are price increases still high, and causing special inflationary pressures? This in itself is inconceivable. But in its policy to control inflation, China indiscriminately copies the methods of advanced Western capitalist countries, and raises interest rates. This method is very effective for capitalist private ownership, because capitalists use bank funds to invest and if they cannot earn money, they do not do it. But with this mechanism, as far as socialist public ownership is concerned, especially with the current lack of distinction between public and private, borrowed principal can not be paid back and if your interest rate is higher it does not serve as a curb. On the contrary, it becomes a vicious circle where interest rates push costs and costs push prices; and with the higher interest rates, prices also are higher and inflationary pressures are even greater. So, after all in China's market economy, what monetary policy would have a great relation to prices? I believe that current monetary policy could have the

opposite effect on the stability of Ninth Five-Year Plan price levels. So, 15 percent, 10 percent and below I am afraid is impossible.

(IV) The pulling power of basic product price adjustments on overall price levels. The third factor determining Ninth Five-Year Plan price levels is the price of agricultural products and the price of mineral products. The formation of the basic factors of these two prices in price relations has not been smooth and there is no way to adjust them on the market. As regards general trends, prices of these two basic products are still low. If we wanted to act according to the laws of value, adjusting these two basic prices could raise the prices of various types of products. In addition, the market also cannot control them. (Our state-run industries have not formed their own sales network and state-run commerce has lost its ability to lead the market). It appears that Ninth 5-Year Plan prices cannot be held down and it could go out of control and become a brideless wild horse.

From this we can see that, whatever level the targets are set at, this definitely is not an issue that we armchair strategists can solve. I am taking this opportunity to loudly shout that only when we truly establish a national macroeconomic control system with socialist public ownership as its main body that can perform a leadership function and an organizational function can we talk about controlling price levels.

Yang Lu [2799 7627] (Researcher at the State Council Development Research Center and standing member of the Board of Directors of the China Price Society) It seems to me that it is not easy to say at what percentage Ninth Five-Year Plan price levels should be controlled. Price indices have three components. One is structural adjustment; one is currency devaluation, classic inflation; and one is the previous year's holdover, formed by the previous year's structural adjustment and currency devaluation. These three components must be separated. They cannot be lumped together. In determining the guiding policy for price planning we should be very explicit and should appropriately arrange structural adjustments and resolutely oppose inflation and currency devaluation.

So, the price index plan, besides clearly calculating the previous year's holdover, involves two issues. One is structural adjustment, how we can take some appropriate steps; and the other is how to regulate the issuance of currency and curb inflation. In regulating the issuance of currency, the bank should pay attention to industrial policy and pay attention to the degree of structural tightness. Now our bank often ignores differing circumstances and sweepingly relaxes the

money supply and sweepingly tightens the money supply. This is a very bad thing. It should be structurally relaxed or tightened. Relaxing it somewhat for industries that should be developed should not cause capital turnover to be inflexible. The bank definitely cannot relax toward industries that should be tightened. This is a point that the bank can totally accomplish. Structural adjustment is mainly doing a good job of adjusting the few commodity prices, including grain and edible oil, energy, transportation, agricultural capital goods, raw materials, minerals, and rent, that the government controls. Doing a good job of adjusting these prices that it is necessary to adjust forms a certain cost impetus. We only want appropriate cost impetus. We do not want the disorderly pull of demand.

I feel that overall price level control targets at the end of the Ninth 5-Year Plan should not be higher than 5-6 percent (that year). If we appropriately arrange structural adjustments and resolutely oppose inflation, we are fully capable of realizing this target.

Ye Shanpeng [0673 0810 5570] (professor at Chinese People's University and standing member of the Board of Directors of the China Price Society) In arranging Ninth Five-Year Plan price levels we should first consider how great is the tolerance of the common people? In other words, when we set up the Ninth Year-Plan, 95 percent or more of the focus should be on basic consumers—farmers and low-income people from the city.

The task of controlling the increase in Ninth Five-Year Plan prices still will be very formidable. During the five years, at least three years should be controlled in single digits and in the last year of the Ninth Five-Year Plan, we should strive to control price rises at about 4 percent. So, after the rate of economic growth and the arrangement of various aspects should be repeatedly balanced, ultimately we will determine prices. I feel that the ideal 2-3 percent price level index that past price symposia have discussed is now feasible. In arranging Ninth Five-Year Plan prices, we must adhere to Ninth Five-Year Plan thinking, the overall actual growth in the Ninth Five-Year Plan farmer standard of living should be somewhat higher than in the city. If the Ninth Five-Year Plan improvement in the urban resident standard of living is as large and as rapid as in the Eighth Five-Year Plan, it definitely cannot be held to single digits. If our Eight Five-Year Plan concepts are achieved in the Ninth Five-Year Plan, the growth of the urban resident standard of living can slow a little and can let workers and farmers take a breather. Thus, not only can prices be stabilized, but at the same time we can lay a good foundation for the twenty-first century.

The issue of interest rates also deserves serious consideration. The present method of banks relying on guarantees and high interest rates and subsidy rates to maintain bank savings accounts cannot go on for a long time. Based on economic principles, bank interest rates must be true interest rates. So, bank savings accounts cannot rely on guarantees and rely on raising rates of subsidies, but must rely on appropriate interest rates to attract savings accounts. Price levels must be lowered so that Ninth Five-Year Plan bank interest rates can reach about 1-1.5 percent.

He Shengming [0149 4141 2494] (president of the Ministry of Finance Financial Science Research Institute) The price issue is not an isolated issue. If the financial situation is relatively good, the pace of price reform can be picked up a little bit. But the issue of prices and the issue of finances in certain respects are inseparable. They influence distribution from different aspects. If prices rise too high, serious inflation occurs and the affect on finances cannot be overlooked. In recent years, revenue's share of the GNP has continually declined, very much related to inflation. The 1994 revenues had a nominal growth of 19.2 percent. If the price factor is discounted, it actually was a negative growth of 2.5 percent. Treasury expenditures had a nominal growth of 25.4 percent, but the actual growth was only 2.5 percent. So, the relationship of prices and treasury expenditures must elicit a great deal of attention.

Ninth Five-Year Plan price levels will tend to rise. Why? Because, first, China's economic development is currently still in the accelerated advancement stage of industrialization. In this stage, it still has not completely converted to intensive in its direction of development and high growth mainly relies on high investment, primarily manifested by high introduction of currency. Second, in the present dual economic structure, the national economy is restricted by "bottleneck" industries (energy and agriculture) and if the rate goes up, it could elicit structural inflation. Third, China's market economy presently still has not been fully established and the market mechanism function of adjusting the flow of funds has not been fully brought into play. The capital turnover in society as a whole is slow and economic performance is rather low. This inevitably elicits growth in the amount of currency in circulation. In addition, because our entire economic system is in a period of conversion, the macroeconomic control system still is unsound and market adjustment still is not a strong method, and even in some respects loses control. And the Ninth Year-Year Plan will be based on three consecutive years of Eighth Five-Year Plan high inflation and the task of keeping price rises down will be rather formidable. Under these circumstances,

we believe that overall price levels must be held within 10 percent. The current economic structure can tolerate only this range.

Lu Nan [6424 0589] (researcher at the State Planning Commission Market and Price Research Institute and standing member of the Board of Directors of the China Price Society) A few problems occurred in last year's inflation that are worth noting. The first is the relation of the amount of the average annual currency issue and price rises. Under normal circumstances, every currency issue in excess of one percentage point brings about a 0.3-0.6 percent rise in retail prices. But last year every issue in excess of 1 percent brought about a 1.1 percent rise in prices, and if it is calculated according to residents' consumer price index, it brought about a 1.2 percent rise in prices. This has not occurred in many years.

Second is the false increase and actual decrease in treasury revenue. In 1994 treasury revenue increased by 19.2 percent. If the price rise factor is deducted (calculated according to GDP reduced indicators), the year's actual treasury revenue declined 4.5 percent. Inflation is not an increasing factor on treasury revenue, but it is a declining factor. This phenomenon also occurred in 1987, 1988, and 1989.

Third, the reduction in resident actual income was rather widespread. The actual income reduction of some urban residents reached 31.3-53.4 percent. Price rises resulted in a decline in the actual income and actual living standards of some urban residents. The widening of the income disparity in 1994 was not a widening with the income of high income families and low income families both rising; but it was a widening with some people's standard of living declining and some people's standard of living rising. This is rather dangerous and a major factor in social instability.

Let us talk further about agricultural product prices. Last year agricultural product prices rose 39.9 percent and compared to industrial product prices experienced a relative rise of 19.4 percent. The rate was rather rapid. Last year the rise in agricultural product prices constituted a major factor pushing up retail prices. If we are to stabilize retail prices, we must slow and bring down the rise in agricultural product prices. But as regards the relative level of agricultural product prices, since 1989 agricultural product prices have been in a slump and in 1992 they fell into a valley. Only in 1993 did they recover a little bit and in 1994 they only grew by about four percentage points compared to 1988. So, agricultural product prices still are an issue that requires further study.

I believe that in the future China should continue to persist in the way of gradual reform. Steady progress need not always think about quickness. A little term of quickness requires a few years of slowness. China's economy can develop at the high rate of 8-10 percent, but it cannot be too rapid. An excessively high rate cannot be maintained. Persisting in the way of gradual reform, the economy takes a comparatively high rate of development, but avoids an excessively high rate of inflation and can hold prices within predetermined targets.

Yang Liangchu [2799 5328 0443] (vice chairman of the Ministry of Finance Financial Science Research Institute Basic Theory Research Department) I was entrusted by Comrade Xiang Jingquan [7309 6975 3123] to talk about arranging the overall levels of Ninth Five-Year Plan prices. We understand the following points on this issue. First, Ninth Five-Year Plan price levels should be held within single digits. Second, the model for Ninth Five-Year Plan economic growth should not just concentrate on the rate but also should pay attention to improving the structure. At the same time, there are a few contradictions that should be resolved. One is that agriculture should go up and there is not a great possibility of the stable prices required for agriculture to go up. One is that the contradiction in basic industries should be resolved. Otherwise, macroeconomic performance of the overall national economy cannot go up and price stability will be very difficult to resolve. In addition, the performance of state enterprises must be further improved. If the deficit problem is not resolved, the price tolerance capabilities and digestive capabilities will be lacking. Third, the scale of wages should be appropriately controlled. Now the rate of wage increases exceeds increases in the rate of labor productivity. If this situation does not change, it will be very difficult to achieve the goal. Fourth, the foreign exchange rate must be essentially stabilized. The present foreign exchange rate is not normal and it pushes up prices. Fifth, fiscal deficits must be gradually reduced. In the past few years, fiscal deficits have reached more than 100 billion, which is very difficult for the state. Sixth, the amount of currency issued should be controlled, strictly forbidding excessive issue of currency. Seventh, we should give serious consideration to the state and cooperative commerce function for curbing prices. To control prices we must utilize the function of the main channel of state and cooperative commerce. Eighth, we should increase national reserves, including agricultural products and principal means of production. Ninth, financial subsidies should be used somewhat. We should increase subsidies for adjusting prices. Also, the impetus

to price increases from the inflow of foreign investment cannot be overlooked.

Finance & Banking

*Status of Financial Leasing Business Examined

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[Article by ZHONGGUO XINXI BAO reporter Huang I-ding (7806 0001 0002): "Booming Financial Leasing Business"—World Booming Industry and New-Born Baby in China]

[FBIS Translated Text] It was almost 15 years ago when the "financial leasing" business was first introduced into China, and the volume of financial leasing business hit several billion U.S. dollars. However, the financial leasing business remains a relatively new term. China has made remarkable progress in promoting financial leasing business, since the China International Trust Investment Corporation handled the first financing and leasing business in China in 1980, and the China National Civil Aviation Corporation leased its first Boeing aircraft from the United States through a U.S. leasing company and a bank in the same year. China's first financial leasing company with joint sino-foreign investment—the China Orient Co., Ltd.—was founded in 1981. In the same year, the China Leasing Company Limited, an exclusively Chinese-funded leasing company and a non-banking financial institution, was established. By the end of 1994, there were 33 leasing companies with Chinese and foreign investments, nearly 30 Chinese-funded leasing companies, and nearly 400 trust investment companies which concurrently handled leasing business.

The financial leasing industry in China had a vigorous start, although it began late. The related statistics of the Foreign Investment Administration of the Ministry of Foreign Economic Relations and Trade showed that for the past 15 years, the leasing companies with Chinese and foreign investments alone had undergone three stages of development. Their total cumulative volume of business was only \$53 million between 1980 and 1983. However, the average annual business volume in the six years between 1984 and 1989 amounted to \$360 million. The financial leasing industry has matured since 1990. It has appraised items by itself, optimized its investments, and begun to gradually extricate itself from the predicament of fund shortage. Its volume of business reached \$550 million in 1994.

"Financial leasing" is a new way for financing. It is a new credit form which combines banking, trading, and industry with the characteristics of separating the ownership of the equipment on lease from the right

to use such equipment. Another special feature is that it combines financing and equipment leasing. On the basis of the requirements of the lessee (enterprises), the leasing company purchases or leases equipment from foreign countries for the use by the lessee for a specified time and for a fixed payment. The supplier, lessor and lessee fulfilled their respective obligations according to contract. This form has rapidly grown since its beginning. Right now, this form of credit is almost as popular as loans in the world. It has the advantage of financing and importing equipment. It is especially good for China where a large number of enterprises badly need equipment to renovate their production facilities. Therefore, it is a popular form of credit. It has a good prospect for future development. For the past 15 years, the leasing industry has become very popular in all parts of China. Equipment on lease is being used for more than 6,000 technical renovation projects in several thousand enterprises in the fields of textile, light industry, energy, telecommunications, machine building, electronics and chemical engineering. Financial leasing is always closely connected with technical renovation projects of various enterprises. As far as the industrial structure is concerned, it is gradually moving from the light and textile industries to the basic and high-tech industries. For example, the proportion of projects involving equipment provided by financial leasing companies with sino-foreign investments in the light and textile industries dropped to 29 percent from 51 percent since 1990. This proportion rose to 16 percent in the energy industry, and in the fields of construction material, chemical engineering and machine building it has been greatly increased. Also, nearly \$800 million has been invested in developing mobile telephone networks and importing equipment for producing petroleum and generating electric power. Particularly the civil aviation industry has tried hard to solve its serious fund shortage problem for air transportation by means of leasing. For the past 15 years, it has utilized funds as much as \$10 billion provided by foreign financial leasing companies. This is particularly true for the newly developing local companies in civil aviation such as the Xiamen Airlines and the Shanghai Airlines. They rely a great deal on leasing to develop themselves. Right now, as many as 204 airplanes in China's air transportation are leased.

There is a unique prospect for doing more business in financial leasing in China. 1) It is a steady supply of foreign investment. The current situation of the leasing companies with sino-foreign joint investment shows that they have excellent business prospects. 2) Compared with loans from foreign commercial banks, government loans and the issuance of bonds and stocks abroad, the form of financial leasing encounters fewer problems in

fund-raising. Also, the lessee may decide what to do with the funds raised. It is especially good for small and medium-sized enterprises since financial leasing is a pure monetary investment. It also involves the import of equipment. Therefore, it will not become a factor of inflation. Currently, the proportion of the annual business volume of the financial leasing industry in China is less than 1 percent of the total amount of investments in fixed assets. The potential of its development is far from being fully tapped. Therefore, financial leasing business is expected to flourish in China.

***Foreign Bank's Role in Financial Markets Noted**

95CE0546A Beijing JINRONG SH.BAO in Chinese
22 Jul 95 p 1

[Article: "Foreign-owned Banks Are Coming Our Way"]

[FBIS Translated Text] No sooner had the whistle of China's reform and opening to the outside world sounded in 1979 than the Japan Export-Import Bank, which was quick to discern what others did not, announced the formal founding of a representative office in Beijing. This was the first foreign financial institution to "seize" a financial "beachhead" in China.

The unprecedented action of the Japan Export-Import Bank aroused the attention of other international financial institutions. After repeated evaluations, international financial institutions concluded at the time that investment in the China financial market was highly risky, would produce little profit, and was not worth trying. However, what the international financial "giants" did not realize was that as China's reform intensified, 15 years down the road, a large number of foreign banks would be trying to set up branches in Beijing. Then, they would have to use all their skill in an inextricable struggle.

One Foreign Bank After Another Makes a Landing

At the end of November 1993, America's largest commercial bank, First National City Bank of New York, took the lead in moving its China regional headquarters from Hong Kong to Shanghai. Citibank's North Asia regional director, Liang Jin-song acknowledged candidly, "Our goal in moving Citibank's China headquarters to Shanghai was simple, namely to open up the China financial market and participate further in China's economic construction, particularly the economic construction of Shanghai and Pudong. Although Citibank's move was not earth-shaking, at the time it caused a stir in international financial circles, and set off a series of chain reactions. Many foreign banks rushed to

follow its example. The board of directors of Britain's Chartered Bank has decided to move its China regional headquarters from Hong Kong to Shanghai around July. Reportedly, the Hong Kong-Shanghai Banking Corporation has similar plans.

That "banks go where businesses goes" is virtually the golden rule of all banks. In recent years, as businesses from all over the world have swarmed into what is known as "the world's largest market in the twenty-first century," China, the pace of foreign bank investment has also quickened. "Open a bank in China" is no longer a laughable absurdity. The past two or three years have been a peak period of foreign bank investment in China. Numerous foreign banks have become an integral part of the major financial institutions in some large and medium size cities that cannot be ignored.

A person in charge of the Bank of China's foreign financial institution control unit said that since 1979, when the first foreign financial institution set up a representative office in China, financial institutions from 33 countries and territories in the world have set up 426 representative offices in 20 Chinese cities, and financial institutions from 14 countries and territories have set up 130 business institutions in 14 Chinese cities. These include 111 foreign bank branches, five foreign sole proprietorship banks, five Sino-foreign joint venture banks, five Sino-foreign joint venture and foreign sole proprietorship finance companies, and four foreign insurance company branches. The authorities concerned have disclosed that the account books of 18 of the 33 foreign owned financial institutions in Shanghai currently show a profit. They show a profit earlier than the usual one year after opening internationally. Seventy percent of the scores of early bird foreign banks in the Shenzhen Special Economic Zone [SEZ] show no small profits. Their 1993 profits totaled 300 million yuan renminbi. No wonder that the international financial giants are scrambling to make a beachhead in China for fear of being left out.

The Bank of Japan formed the vanguard in applying to operate a foreign bank in China. Among the more than 40 foreign bank offices that the People's Bank of China approved in 1993, Japan's Fuji Bank, Tokyo Bank, Sumitomo Bank, Sakura Bank, Mitsubishi Bank, Daiwa Bank, and Dai Ichi Kangyo Bank qualified for the list. In 1993, Japan obtained permission to set up more operating financial institutions in China than any other country.

Japanese banks have been particularly active in setting up branches in Shanghai. Statistics show that one-fourth of the banks in Shanghai outside of the Bund

are Japanese banks. Japanese banks are very farsighted about developing business in China.

Dalian, which has a special historical relationship with Japan, is also another auspicious place for Japanese banks. Because their applications were approved at virtually the same time in 1992, the Tokyo Bank, which had applied to set up a representative office in November 1984, and the Industrial Bank of Japan, which had applied in March 1985, are still arguing over which was the first to set up a branch in Dalian.

Unwilling to be left behind, the banks of other countries are also actively working the China market. These include Germany's Commerzbank, which may be said to be a case in which "the scholar excels the master." Although it established branch banks in China fairly late, through its German main office, it has cooperated in the financing of Shanghai's commercial city, underwriting \$70 million worth of bonds that the Shanghai International Corporation issued, provided a \$420 million loan to Shanghai Volkswagen, and assisted the Communications Bank that the head office set up in Shanghai to issue \$100 million worth of bonds in Europe and the United States.

The biggest financial country in the world today, the United States, is another leading country that has actively developed the China financial market. One important characteristic of America's way of doing business is, not only does it work to set up bank branches and sub-branches, but it also plays close attention to investment in peripheral financial agencies such as investment fund companies, finance companies, and debenture companies. This is a positive and all-around investment method that goes beyond merely passively going where business goes.

Hong Kong, which is linked to the mainland as intimately as lips and teeth, has applied its rich financial experience and huge financial resources, taking to the mainland like fish to water and proving more than capable.

Not only Japan, the United States, the UK, France, and Germany, as well as Hong Kong, but banks in some other Asian and southeast Asian countries have spurred the pace of their opening of the China market. They have rushed to open representative offices and operating agencies everywhere in the country.

Since the advent of reform and opening to the outside world, Shanghai has always been a main focus of foreign bank investment in China. It heads all China's large cities in the number of foreign branch banks and total amount of investment by foreign financial institutions. By comparison with Shanghai, Beijing

holds tremendous financial potential. Right now, three foreign banks are awaiting travel permits to set up branches in Beijing.

Large numbers of foreign financial institutions have swarmed in. They have now become an important channel for introducing foreign capital into China. Statistics show assets totaling more than \$14.5 billion and loans totaling \$9.1 billion of the 104 foreign banks and financial institutions formally doing business in China at the end of April 1995. Incomplete statistics also show issuance of long-term loans totaling more than \$10 billion over the years by foreign financial institutions, in addition to which joint bank dealings have brought in large amounts of short-term funds. Foreign financial institutions not only bring in huge amounts of money, but by competing with domestic banks, their service standards and methods of doing business have spurred an overall rise in the overall level of Chinese financial businesses. They have hastened the pace of meshing with the international market.

Reportedly, despite the appreciable number of agencies that foreign banks have set up in China, foreign banks are still lining up to file applications to set up all kinds of financial institutions in China. An authoritative person concerned disclosed that cities like Wuhan and Chongqing are on the next list of places where financial institutions are to be opened to the outside world. The opening of China's financial business to the outside world is increasing both in depth and in breadth.

Desire to Have a Finger in the Renminbi Business Pie

The operating agencies of foreign financial institutions set up in China are permitted to deal only in foreign exchange deposits, loans, foreign exchange bills discounting, foreign exchange guarantees, the buying and selling of foreign exchange, and credit checks and consulting. The recipients of their services are also largely limited to the three kinds of partially or wholly foreign-owned enterprises, and enterprises that deal with foreign countries. They may do import and export foreign exchange settlement business, but the total may not exceed 5 percent of their total assets. In other words, they are limited only to the settlement of accounts.

"There is no such thing as a free lunch." Foreign banks come from afar, and they work tirelessly in China. Their real interests is not in earning settlement handling fees. They want to participating in the renminbi business, contracting renminbi savings, which means they want to develop direct business dealing with Chinese firms. Plainly stated, they want to take business away from China's specialized (commercial) banks.

In early 1994, when the renminbi exchange rate entered a "one-way street," the first inkling of foreign financial institution dealings in the renminbi business first appeared. One after another, foreign banks requested the Chinese government to remove proscriptions against renminbi dealings. The Japanese banks felt that if they could deal in renminbi, they could supply renminbi directly to investment firms, and would be able to spur medium and small Japanese firms to invest directly in China. For a time, all sorts of reports about the Chinese government's intention to operate renminbi business pilot projects circulated, and many foreign banks looked forward to this prospect.

Although foreign banks cannot currently do renminbi business, in certain ways they enjoy better treatment than domestic banks, most notably tax treatment. The income tax rate for domestic commercial banks is 55 percent, but foreign banks in SEZs and in coastal areas enjoy a preferential 15 to 30 percent tax rate. Some people term this super-national treatment. In addition, Chinese and foreign banks are different in many ways. For example, the hardware in the commercial banks of many developed countries — things such as computers, telecommunications, and equipment — and human resources, service, and efficiency are far ahead of what is available in some domestic banks. The rapid opening of business in China by foreign banks, which hold an advantage in financial strength, caliber of personnel and efficiency, impacts the business of state-owned commercial banks directly or indirectly. Take Dalian, for example. Dalian's specialized banks began foreign currency deposits business in 1988. Today, the foreign exchange deposit balance of the four specialized banks, the Industrial Bank, the Bank of China, the Construction Bank, and the Communications Bank total approximately \$400 million, but the foreign currency deposit balance of the six foreign banks, which opened less than two years ago, already total more than \$300 million. The large increase rather dismays those in the same business in Dalian.

Furthermore, what with China's domestic banks making a transition from specialized banks to state-owned commercial banks doing mostly commercial business, it will take some time for the level of bank administration and the caliber of personnel to reach the international level. This is not something that will happen overnight. Furthermore, a substantial number of Chinese enterprises are not yet truly making their own operating decisions and accepting responsibility for their own profits and losses. Clearly, domestic commercial banks that developed for a long period under the traditional economic system, and which still carry a deep imprint of the planned economy do not begin at the same start-

ing line as foreign banks. Therefore, hasty removal of proscriptions on the renminbi business would mean that state-owned banks would be no match for foreign banks.

No government in the world is so magnanimous as to stand with folded arms and cede its own interests to others. How can the removal of restrictions on the renminbi business be conducted in haste? Why become feverish about it?

The Beijing representative offices of American and Swiss banks claim that the entry of foreign capital into Chinese financial markets causes no imminent danger to domestic banks; however, the assistant representative in the Beijing representative office of the Australia-New Zealand Bank Group thinks otherwise. He says that "certain Chinese government restrictions on foreign banks in China are necessary, but that the state-owned commercial bank protection period should be completed as quickly as possibly.

A knowledgeable person in Hong Kong provided some sincere advice to Chinese leaders in charge of the economy. First, large numbers of foreign banks should not be let in; second, prudence must be exercised in foreign bank involvement in renminbi deposits. He said, Singapore is very distinctive in this regard.

Currently, foreign banks in China are already doing some renminbi-related business such as the settlement or sale of exchange for three kinds of partially or wholly foreign-owned enterprises. In Guangzhou, with approval, foreign banks may set up renminbi current accounts. They are permitted to use renminbi in buying the foreign exchange that three kinds of partially or wholly foreign-owned enterprises have obtained. The foreign banks then sell the foreign exchange to the People's Bank in exchange for renminbi. Persons concerned say that deregulation of this kind of business is not expected to have much impact on domestic banks.

We believe that, as circumstances permit, China will gradually open the door for foreign banks to do renminbi business while controlling the rhythm and speed of financial deregulation.

***Impact of Tax Reform on Price Increases Examined**

95CE0493A Beijing ZHONGGUO GAIGE [CHINA REFORM] in Chinese 13 Jun 95 No 6, pp 31-32

[Article by Hu Junsheng (5170 0193 3932) and Zhou Lihua (0719 4409 5478): "Effects of Tax Reform on Prices and Measures To Be Taken"—Editor: Guo Shuhua (6753 2050 5478)]

[FBIS Translated Text] In 1994 China reformed its fiscal and taxation systems. This round of reforms

covered three areas: reform of the fiscal structure based on a tax revenue-sharing system, reform of the tax system, and reform of the enterprise profit-distribution system. Of these, reform of the tax system—the heart of the reforms—affects prices the most. Because of this, whether the tax reform will bring on major price hikes has become a question that the government as well as all sectors of society are concerned about.

I. Effects of Tax Reform on Prices

1. As far as the total effect and the principle used in designing the reform plan are concerned, the tax reform has not raised the tax burden of enterprises, nor will it cause a big rise in prices. An important principle that went into designing the reform plan was to focus on adjusting the structure of the tax system and to ensure neither an increase nor a decrease in enterprises' tax burden. Pertinent investigations show that after the new tax system went into effect, 40 percent of Shanghai businesses paid the same amount of taxes as before, while 30 percent paid less. Another 30 percent did experience higher taxes. But, still, taxes on businesses as a whole remained the same. This not only kept state finances from suffering as a result of the reform, but also prevented any overall increase in enterprises' tax burden. Another important principle was to prevent the tax reform from causing prices to rise. Previously in this country, taxes were included in the prices of goods and services. Now, instead of being added into prices automatically, a value-added tax is levied separately. The only difference is in the accounting method. There is no extra, additional tax. That is why on the whole the latest tax reform will not lift the general price level.

2. From the perspective of the local economy, prices will rise slightly now that the tax revenue-sharing system has gone into effect. With the implementation of the tax revenue-sharing system, tax laws have become more rigid and local protectionism has lost its effect. Inevitably, this means that less taxes can be collected from enterprises by local governments. However, the reform can help increase local governments' overall interests. With expenditures rising without relief, local governments will no doubt strive to increase their revenue by exploring all possible new sources of tax revenue and shifting the factors that cause price increases to other localities [as published]. An analysis of the growth in China's financial revenue in the past few years shows that about one-third to one-half of each year's growth is attributable to the price rise. Thus, from a local economic perspective, prices will rise to some extent.

3. The tax reform may lead to changes in price structures and enterprise operations among specific

enterprises and products, which may constitute an important cause of price hikes. The tax reform did away with most product taxes and business taxes, making them value-added taxes instead. As stated above, the reform will not increase the tax burden on enterprises overall. However, in the old system, there were 12 different value-added tax rates and dozens of different product tax rates. Now that value-added taxes have been consolidated into only two different rates, the tax burden will rise for some enterprises and products. A Ministry of Finance analysis of 282 industrial products shows that taxes will be lowered on 209 products, or 74 percent of the total products, while 73 products, or 26 percent, will be taxed at a higher rate. The latter category includes gasoline, diesel fuel, expensive jewelry, grain, cooking oil, and chemical fertilizers. In addition, studies of business transactions in the circulation of commodities carried out by pertinent departments reveal that after business taxes were replaced by value-added taxes, the tax burden of retail businesses has lightened, while that of wholesale businesses has increased. According to the central government demand, enterprises that did not experience higher taxes after the tax reform may not raise their prices, and those that saw a relatively large drop in their taxes should lower their prices accordingly. In principle, enterprises that now face higher taxes should also refrain from raising their prices and should instead offset their expanded tax liabilities by revamping their operational mechanisms, tapping their unused potential, and raising their economic efficiency. In actual practice, however, because of an "unbudging attention to self-interest," businesses that now have higher taxes will, by hook or by crook, use pricing to solve their problems. As long as their products sell, they will use this method to shift the tax burden onto someone else. Meanwhile, most businesses that had their taxes lowered are reluctant to lower their product prices voluntarily. Some go so far as to "use the tax issue as an excuse to raise prices." This could cause prices for some other products to go up as well, or perhaps even lead to a rise in the general price level. True, in the one year since the new tax system went into effect, the market has remained relatively stable. The reform has not stirred up any big price fluctuations. However, there is a potential pressure from enterprises to raise prices, and it is likely that we will begin to see the effects of that pressure this year.

4. Misunderstanding of the value-added tax and lack of standard for its implementation are another cause of rising prices. After the new tax system went into effect, some enterprises, not having entirely grasped all that is involved in the reforms, have a lopsided understanding of the new value-added tax. They have

arbitrarily raised prices before calculating the taxes on their products or comparing the new situation with the old. Or they have added a tax factor in their retail prices in such a way as to cause the prices to climb by distinctively greater amounts than did their taxes. This will inevitably cause some price inflation in the market. In addition, some average taxpayers, in issuing value-added tax invoices, make the mistake of writing the tax-included amount in the "price" blank. In the "tax" blank, they enter an amount calculated by using a 17 percent (or 13 percent) tax rate on the total sales that already include the tax. This man-made error will contribute to the price hike for some commodities.

Measures To Be Taken

1. Step up publicity about tax laws so that everyone understands and obeys the law. Taxation is a rather complicated matter essential to the implementation of our state policy. So far, a very large percentage of taxpayers are still half in the dark about the new tax law. Inevitably, they may make mistakes in using that law, and that causes pricing and related problems. In response, departments of taxation should do more outreach and education about the tax law. This not only is basic to carrying out tax collection work properly, but also would help stabilize market prices.

2. Address as quickly as possible problems relating to tax policy and tax collection that arise in implementing the new tax system. Our main tax policy concern should be to exempt a greater range of agricultural products from taxes. This allows us to take full advantage of our tax revenue policies to rationalize the industrial structure while making sure that prices for basic raw materials will remain stable, and that the price ratios between agricultural and industrial products will not revert to the old patterns. For example, the roots, stalks, leaves, and flowers of some plants, such as rice straw and grasses, and the viscera of hogs, sheep, and other livestock are important raw materials for industrial enterprises in making such things as paper, handicrafts, food products, and household chemicals. These raw materials should be given preferential tax treatment to encourage their production and supply. As for tax collection, our main task is to get average taxpayers to fill out their value-added tax invoices properly.

3. Local governments should pick up their pace in transforming their enterprise management mechanisms and building the modern enterprise system. Enterprises should face the realities of the market, tap their unused potential, and raise their economic efficiency as a way to offset their higher tax burdens. Local governments must make positive efforts to implement relevant policies and strengthen macroeconomic con-

trols. They must find concrete ways to help enterprises solve any problems because of the tax reform. Local governments should reduce the price-raising pressure as much as possible and keep market prices relatively stable.

4. Taxation and price-control departments should get acquainted with the tax burdens faced by all major industries and large and medium-sized enterprises in their province, find out the key areas where tax supervision should be exercised, and decide on the intensity of such supervision. Taxation and price-control departments should make it clear that enterprises may not charge more for products that are basically taxed at the same or a lower rate than before. Enterprises that have experienced unusually high tax increases and are having trouble offsetting these increases may seek approval from the price-controlling authorities to raise their prices by amounts no higher than the increases in their tax burdens. In the case of those special products which previously enjoyed a tax-exempt or reduced-tax status and for which transitional measures or specific provisions have been enacted by the taxation department, prices should not be raised. As the taxes on a product at various intermediate links in the course of circulation may be higher or lower than before, it is necessary to properly adjust the prices at each link so as to keep the final retail price stable. In the case of products whose prices have been liberalized but are still subject to control by differential rates, enterprises are not allowed to raise their prices by amounts beyond the prescribed rates or higher than their profit margins without authorization.

5. To address new situations and new problems that may arise from the tax reform, price-control departments must work out and issue new lists stating maximum allowed prices for key products. They should organize grassroots price-inspection forces to rigorously implement the controls. However, our policies regarding price ceilings should adhere to the principle of "not forcing enterprises to lose money." Right now it is imperative that we do a good job of redefining the price ceilings and checking up on their implementation in the case of such materials needed for agricultural production as chemical fertilizers, plastic sheeting for farm use, pesticides, and agricultural diesel fuel. Price-control departments must resolutely search out, investigate, and punish those who recklessly raise their prices beyond these ceilings by falsely claiming to have greater tax burdens.

Foreign Trade & Investment

MEI Signs 'Statement' With U.S. Firm

OW1808094495 Beijing XINHUA in English
0751 GMT 18 Aug 95

[FBIS Transcribed Text] Beijing, August 18 (XINHUA) — China's Ministry of Electronics Industry (MEI) signed a "statement of direction" here today with the International Business Machines Corporation (IBM) of the United States on OS/2 Warp co-operation.

According to the statement, the ministry is to endorse OS/2 Warp as a preferred product and recommend it to Chinese users, so as to provide them with alternatives among various software platforms.

IBM began to sell its OS/2 Warp on the Chinese market last April.

Yang Tianxing, director of the MEI's Computer Department, said that China attaches great importance to the establishment of an open system environment, and to the promotion of open computer networking standards and protocols in the process of the construction of information industry projects.

Thus, Yang added, the MEI wishes to co-operate with IBM on the definition and implementation of the Chinese computing platform standards of OS/2 Warp.

It is learned that a special committee on Chinese computing platforms will promptly establish an OS/2 team and a Lotus Notes team, and invite IBM and its affiliated Lotus Company to act as correspondent members.

The committee will recommend character fonts, character style and input methods which are consistent with Chinese standards, to expedite the standardization of OS/2 Warp and Lotus Notes.

Besides, MEI will invite IBM to participate in the process of defining cross-platform open Chinese API [expansion unknown] standards.

More Than 4,500 Overseas Enterprises in Country

OW1808020395 Beijing XINHUA in English
0132 GMT 18 Aug 95

[FBIS Transcribed Text] Shanghai, August 18 (XINHUA) — China now has more than 4,500 overseas enterprises, according to statistics collected by the Shanghai Multinational Corporation Research Institute.

With 5.2 billion US dollars in investment, these enterprises include state-owned and collective entities, publicly-held companies, joint ventures, and private firms, according to the statistics.

The state-owned multinational corporations and groups, such as the China National Chemicals Import and Export Corporation (Sino- CHEM), Capital Steel and Iron Company, Shenzhen Electronics Group (SEG), and Bank of China, are performing impressively, said Xie Kang, deputy head of the institute.

The Bank of China has risen to No.10 from No.17 among the world's top 500 financial institutions, according to Fortune Magazine, and Sino-CHEM, whose annual sales exceeded 13.2 billion US dollars in 1993, has ranked among the 30 largest conglomerates worldwide for four years in a row by Fortune.

These Chinese multinationals have ventured into resource development and the manufacturing sector, in addition to restaurant business, small-scale processing industries and information service. They have also made inroads into the transportation and financial sectors, in addition to exports and imports.

Those in foreign trade usually register as Chinese solely-funded entities, and manufacturing enterprises as joint ventures when investment is concerned.

More than 1,700 non-trade enterprises of those multinationals have received investment worth three billion US dollars, 56.7 percent of which was contributed by China, the statistics reveal.

Chinese multinationals have grown dramatically and secured a foothold in the international market, which shows the successful internationalization of China's enterprises, experts here pointed out.

The growth of Chinese multinationals also shows that many Chinese entrepreneurs have realized that investing abroad is as efficient as attracting foreign investment in making use of international capital.

Germany's Largest Bank Opens Office in Shanghai

OW1708153195 Beijing XINHUA in English
1506 GMT 17 Aug 95

[FBIS Transcribed Text] Shanghai, August 17 (XINHUA) — Germany's largest bank, Deutsche Bank AG, today opened a representative office in Shanghai, the largest Chinese city.

An executive with the bank said it will open a branch in the city as soon as possible. It has already opened a branch in Guangzhou, the capital of Guangdong Province in south China.

Deutsche Bank was one of the first foreign banks to operate in China, both in the last century and after the recent economic reforms, having opened a representative office in Beijing in 1981.

The bank's Shanghai office will focus on the Chang Jiang River valley, especially Jiangsu, Zhejiang, Anhui, and Sichuan provinces and Shanghai, the official said.

Deutsche Bank also took part in a banking group loan to the Waigaoqiao Bonded Zone in Shanghai through its Guangzhou branch. Its business in China includes commercial bank services as well as investment services.

Shandong's Tourism Hits 'All-Time High'

OW1808094395 Beijing XINHUA in English
0738 GMT 18 Aug 95

[FBIS Transcribed Text] Jinan, August 18 (XINHUA) — From January to June this year, tourism in east China's coastal Shandong Province hit an all-time high, receiving as many as 187,000 foreign tourists and earning 56 million US dollars, according to Shandong Tourism Administration.

The Republic of Korea (ROK), the nearest overseas country to the province, was the largest foreign tourist source.

Earlier this year the number of tourists from Southeast Asia increased markedly, apparently owing to the development of 10 more tourism items.

A large batch of high-grade and key tourism items are under busy construction, and are expected to give an impetus to the tourist trade of the province.

The province's leading tourism city, Qingdao, operates direct flights to Osaka in Japan and Seoul, the capital of the ROK.

Meanwhile, this provincial capital has opened an air route to Singapore via Shanghai.

Shanghai Opens Express Remittance Business

OW1808084795 Beijing XINHUA in English
0807 GMT 18 Aug 95

[FBIS Transcribed Text] Shanghai, August 18 (XINHUA) — China's leading industrial metropolis of Shanghai has started international express remittance business which provides customers with much convenience.

The service is carried out by the China Courier Service and a U.S. Company.

The business reaches more than 24,000 centers of 100 countries and regions, according to officials with the China Courier Service.

Liaoning Steel Company Fulfills Export Plan

OW1808094195 Beijing XINHUA in English
0710 GMT 18 Aug 95

[FBIS Transcribed Text] Shenyang, August 18 (XINHUA) — The Anshan Iron and Steel Company (An'ang) has earned 284.7 million US dollars by exporting 908,618 tons of various types of products so far this year.

This means that it has already fulfilled its 1995 plan to export 910,000 tons of products and earn 200 million US dollars.

After An'gang drew up the plan at the beginning of the year, it spared no time in collecting information on the international iron and steel market, restructuring its marketing strategy and securing a larger share in the international market.

With products exported to North America, Europe, Japan, the Republic of Korea and Southeast Asia, An'gang has the largest export volume among all iron and steel producers in China.

Agriculture

Li Zemin Tours Zhejiang's Huzhou City, Comments

OW1708123995 Hangzhou ZHEJIANG RIBAO
in Chinese 30 Jul 95 p 1

["Li Zemin Conducts Investigation and Study in Huzhou, Stressing the Need to Unswervingly Uphold the Role of Agriculture as the Foundation of the National Economy and Continue to Maintain the Good Momentum of the Upsurge in Agriculture"]

[FBIS Translated Text] Accompanied by leaders of Huzhou City and relevant provincial departments, Li Zemin, secretary of the provincial party committee and chairman of the provincial people's congress standing committee, conducted investigation and study in Huzhou 26-28 July and talked with cadres and the people on important issues such as further promoting agricultural production, particularly grain; developing agriculture during the Ninth Five-Year Plan period; and establishing a modern enterprise system on a trial basis. He stressed: We should greatly cherish the good momentum for agricultural development this year and continue to make greater efforts to maintain the upsurge in agricultural production. While ensuring current agricultural production, we should also vigorously explore and study the ideas and moves of transforming traditional agriculture into modern agriculture under the circumstances of a socialist market economy to accelerate the progress of the modernization of agriculture.

Early in the morning on 26 July, Li Zemin drove from Hangzhou to the No.1 village of north Zhejiang — Fuziling Village in Jiapu Town, Changxing County. The village is Li Zemin's connecting point. During the time for spring plowing in March, he came for an inspection, decided to restore the "triple-cropping system" after talking with cadres and the people, and said he would come again at when the early season rice is harvested. Li Zemin went directly to the field from his car and checked the high-yield early rice demonstration areas in spite of the heat. He squatted down to hold the heavy spikes of rice, or inquired of local cadres and agro-technicians about the situation of the crop from time to time. Li Zemin learned on the spot how the party branch of Fuziling Village had vigorously responded to the provincial party committee and government's call for "steeling yourself to bring about an upswing in grain production" by organizing and mobilizing the masses to overfulfill the task of planting early season rice in past months, which has brought the five-year-long situation of no early season rice to an end. To properly and plentifully grow the early season rice, the village invested over 100,000 yuan to purchase some agricultural machines, adopted fine strains of rice and the cultivation techniques of throwing seedlings [pao yang 2141 4441] and direct seeding, and strengthened field management. A practical calculation revealed that the per-mu yield of early season rice was more than 50 kilograms higher than the county's average level. In the meantime, secondary and tertiary industries continued to grow rapidly and soundly. Li Zemin heartily rejoiced at the restoration of the "triple-cropping system" in this No.1 village of north Zhejiang; he said: As the No.1 village of north Zhejiang, Fuziling Village has become a successful provincial leader in bringing about an upswing in agricultural production for its capability to properly grow early season rice, restore the "triple-cropping system," and reap a bumper harvest in spite of serious disasters — expected or unexpected — this year. Their experience is of guiding significance to economically developed areas of Zhejiang in developing agriculture and promoting grain production, and is worth summing up seriously. The most important key to this village's persistence in placing equal stress on economic construction and party building; coordinated development of primary, secondary, and tertiary industries; firm ideology of regarding agriculture as the foundation of the national economy; and attaching importance to the investment in agriculture and the application of science, and technology in revitalizing agriculture lies in the excellent leadership of the village party branch. With a powerful collective economy, the village party branch has fighting capacity, appeal, and rallying force. I hope all localities will draw lessons from the experiences of

Fuziling Village so more economically and agriculturally powerful villages will emerge.

Li Zemin held a special forum on agriculture with provincial, city, and county leaders and responsible persons of relevant departments in Changxing County to analyze the current agricultural situation and discuss ideas on agricultural development for the Ninth Five-Year Plan period. He said: Zhejiang's agricultural and rural situation is good at present. Since the provincial party committee and government made the strategic arrangements of "steeling ourselves to bring about an upswing in grain production" and "economically powerful counties should be agriculturally powerful counties," party committees and governments at various levels and the broad masses of cadres and people across the province have done a great deal of work to bring about an upswing in grain production. The entire party and society have attached importance to agriculture, increased investments in agriculture, and a great number of cadres have gone down to villages to participate in agricultural production. It can be said that the intensity and amount of endeavor and investments being put into agriculture this year have rarely been seen over the years. An upsurge in agriculture has truly appeared across the province. We have reaped a bumper harvest of "three spring crops" and, despite serious disasters affecting the early season rice, are expecting a good harvest, an increase in the effective supply of grain as well as farm and sideline products, growth in peasants' income, overall development in the rural economy, and social stability in rural areas.

While observing this good agricultural situation, we are also clearly aware that agriculture is still a weak industry, which is still not strong enough to stand up to the tests of natural and market risks. We are also aware that many deep-seated contradictions in agriculture are far from being properly solved, that agriculture is still fairly fragile as the foundation of the national economy, and that the task of bringing about stable agricultural production, particularly grain, is still very arduous. Therefore, the ideology that agriculture is the foundation of the national economy can never be shaken at any time, and efforts in agricultural work should never be slackened one bit. We have done our best in the first half of this year, and we should not feel dejected or discouraged, nor should we blame God or men for the weather and serious disasters. Instead, we must cheer up, unrelentingly attend to agriculture, particularly grain production, and continue to stand firm against disasters for a good harvest this year. We are at a crucial time for summer harvesting and sowing, party committees and governments at various levels should maintain their efforts as they did in planting early season rice earlier

this year, organize cadres to go down to villages to serve peasants, and make early preparations and take preventive measures against disastrous weather that may appear during the period of "two summer tasks" in particular, to properly preserve the grain we have gained through all possible means and minimize losses. While stressing field management, we should also plant enough late rice in a proper way, and should not let things drift because the peasants know how to do their work. In the meantime, we should fully use our land resources and plant more side crops in a proper way. In accordance with the established grain procurement policy, we should properly accomplish the task of grain procurement; the departments concerned should offer their services in this regard.

Li Zemin noted: The general arrangement for rural work for the second half of this year and next is to keep the efforts to maintain the upsurge in agricultural production; truly place agriculture, the foundation of national economy, above everything else; unswervingly uphold the principles of grain production and a vigorously developing diversified economy as well as fine-quality and high-yield agriculture; bring about comprehensive development in the rural economy, and promote a steady growth in peasants' income. To maintain the upsurge in agricultural production, it is necessary to start studying the following issues: 1. We should readjust the distribution structure of national income and increase the input in agriculture. There would be no output without input; without enough input, the material foundation for stable agricultural and grain production would be lost. As far as the policy for input in agriculture finalized by the provincial party committee and government is concerned, what we should uphold must be upheld, the fees we should collect must be all collected, what we should improve in light of the change in situation must be improved, and new channels for input in agriculture should be studied and opened. Misappropriation and embezzlement of agricultural funds must be prohibited. 2. We should step up the circulation of land-use rights and continue to promote fairly large-scale management of land in an active and proper way. 3. We should truly revitalize agriculture with the application of science and technology and truly solve the problem of stabilizing the scientific and technological force. 4. We should define next year's tasks for grain production, sown area, and crop pattern as soon as possible, and stabilize grain prices and policy for fertilizer supply so as to offer correct guidance to peasants. We still need to uphold the general plan of stabilizing total output, sown area, and the "triple-cropping system" in next year's grain production. Under this premise, all localities may adjust their production patterns and crop mixes in light of their conditions. 5. We should take into consideration education

in the party's basic line, which will be conducted in rural areas in the coming winter and next spring; the ongoing construction of grass-roots organizations and deepening reform in rural areas; and the promotion of rural economic development, and study the arrangements for these tasks as soon as possible.

Li Zemin asked governments at all levels to earnestly study the issue of long-term agricultural development. He said: Our province is currently drafting the Ninth Five-Year Plan and a plan covering the period between now and 2010. We are studying ways and policies to modernize our traditional agriculture under the conditions of a socialist market economy, keeping in mind the goal of basically achieving modernization by the year 2010 laid down at the Ninth Provincial Party Congress. We must clarify this point: If agriculture is not modernized, the four modernizations cannot be accomplished. The four modernizations must be built on the foundation of modernized agriculture. Of course, agricultural modernization is a fairly long process. The general direction of our work on agriculture and rural areas is to modernize our traditional agriculture. To do so, we must study policies and measures in every area, including conditions favoring agricultural modernization. Huzhou City has proposed building a modern agricultural park after developing farmland capable of producing a tonne of grain per mu. The proposed park will help integrate agricultural infrastructure construction, agricultural mechanization, farmland protection, large-scale land management, agricultural technologies popularization and standardization, socialized services, and systematic operations. As a vehicle to agricultural modernization, this is a good idea. Other localities may draw up specific measures to implement the idea on an experimental basis and then gradually expand the experiment based on the experience gained. In doing so, the principle of "providing active guidance, observing required terms, suiting measures to local conditions, and giving different guidance to suit different conditions" should be followed. There are many other issues that must be studied and resolved before agricultural modernization can be achieved. For example, there are questions related to the structure and operating mechanisms for intensive agricultural production and geographical distribution; the gradual development of a structure and mechanism for multiple investment by the state, the collective, and the individuals; irrigated land and agricultural ecological protection policies and structure; structure and mechanism for stabilizing the ranks of scientific and technological personnel, for perfecting scientific and technological networks, for revitalizing agriculture through the use of science and technology and the popularization of applied agricultural science; the gradual establishment of a structure and mechanism to com-

prehensively raise peasants' cultural and scientific and technological standards; the establishment of an industrial engineering system conducive to Zhejiang's agricultural development; the establishment of a macroeconomic regulatory and control system and mechanism for agriculture and for grain production and circulation; the establishment of a system for operating and managing collective assets; the development of a legal code promoting the development and revitalization of agriculture through the application of laws; and the establishment of a system for rural grass-roots organizational construction suitable to China's conditions. These are long-term issues that must be earnestly thought out and resolved. The successful resolution of these questions will help bring agricultural production to the path of sustained development and accelerate the process of agricultural modernization.

During his inspection and study tour of Huzhou, Li Zemin also made a special trip to the Changguang Coal Mine Company and the Sanshi Cement Stockholding Company, where he called upon retired and model workers and coal miners working on the front line in high temperatures. He also visited their families. He received briefings from leaders of the two provincial state-owned large and medium-sized enterprises on their experiment in establishing a modern enterprise system and their production and operations and party building work.

***North, South Grain Circulation, Prices Noted**

95CE0547B Beijing JINGJI CANKAO BAO
in Chinese 20 Jul 95 p 1

[Article by Liu Jian (0491 0256) and Wang Jinghe (3769 2529 0735): "The Grain Market Is Showing Strange Phenomena That Have Been Rare for Many Years: Circulation—Northern Grain Is Shipped South and Then Back North: Prices—Higher in Producing Areas Than in Selling Areas"]

[FBIS Translated Text] In a north-to-south transprovincial survey of the implementation of the "rice-sack" provincial governor responsibility system, we discovered some strange phenomena that have been rare for many years: Certain southern provinces that bought and shipped in (husked) rice from the northeast last year are finding that their rice prices are lower than in the northeast this year; to ease their local (husked) rice supply shortage, certain places in the northeast are being forced to buy back their own rice that they had sold to the south. So for a time, the shipping of northern grain south and southern grain north has formed an obscure crisscross cycle.

In early April when we left Jilin, the market price per kg of (husked) [and similarly hereinafter] rice had reached 3.6 yuan in the Jilin capital of Changchun, 3.8 yuan in eastern Jilin and the Yanbian region, and 4 yuan in the western Baicheng region. But by mid-April when we arrived in Nanjing, Jiangsu, northeastern rice was selling in state grain shops at the negotiated price per kg of only 2.76 yuan, and at a market price of no more than 2.8 yuan, at least 0.8 yuan cheaper than in Jilin. In Hangzhou, Zhejiang, we found that farm trade markets were listing the selling price per kg of Jilin rice at about 3 yuan, and at 3.3 yuan for the best-quality, highest-priced rice.

Grain-sector comrades in the two provinces of Jiangsu and Zhejiang tell us that as rice is cheap there, certain places in Beijing and Liaoning have been sending personnel and telegrams asking to buy northeastern rice at a bid price per kg of 2.8-3 yuan. A salesman in a certain grain warehouse in Zhengding, Hebei, discloses that since the Spring Festival, a certain department in Suihua, Heilongjiang, issued to Zhengding 40 railway cars of rice and then, just as it arrived at the station, sent a telegram asking that the same 40 cars of rice be returned.

So why is rice from Jilin or the northeast cheaper in the selling area than in the producing area? And why do producing areas have to ship rice in from selling areas? We explored this with certain grain-sector comrades in the two provinces of Jiangsu and Zhejiang. Jiangsu comrades hold that the major reason why rice is cheap and markets stable in Jiangsu is that the province started in the last half of 1994 to make a great effort to emphasize reserves, stressing purchases in Jiangsu and shipments from other provinces, so that reserves had reached by year's end 4 billion kg, essentially enough to meet the year's needs. In 1995, state grain firms in Nanjing have also put large amounts of rice on rural trade markets, offering sales of northeastern rice, which has curbed market prices. Hangzhou Grain Bureau Planned Purchase and Sale Office Director Qi Shimin also holds that rice is cheap in Hangzhou because: 1) 70-80 million jin [1 jin = 1/2 kg] was shipped in from the northeast during the 1994 purchasing period, so that reserves are abundant, and 2) the grain sector has taken over markets, which has controlled prices. But as to the real situation in producing areas, they were unwilling to elaborate.

In late-June when we returned from the south to the northeast, we found that the two Jilin prefectures of Jilin and Yanbian had bought and shipped in 30-40,000 tons of rice from places such as Shanghai, Anhui, and Hubei, with some other prefectures also figuring out ways to purchase from the south. While they had originally sold

to the south at a price per kg of 2.4 yuan, they were now buying back for 3 yuan a kg; and while they had sold top-quality Jilin rice, they were buying back "Jilin rice" mixed with polished long-grain nonglutinous rice. The analysis of authoritative sources is that this was caused by unplanned purchases and sales. Jilin's rice output is 3 billion kg a year, of which the state orders 500 million kg at set prices and purchases another 1 billion kg at negotiated prices so that, in addition to the grain rations kept by farmers, there is still 500-700 million kg that can be self-marketed. And while there can be said to be an overall balance with a slight surplus, Jilin rice's sales volume is growing sharply year after year as it is increasingly favored for its high quality and good taste. Every year at purchasing time, large numbers of southern grain merchants go to Jilin with cash to buy Jilin rice at high prices. And while Jilin Province announced that markets would be closed during the purchasing period in 1994, such restrictions did not really hold. In less than a month from New Year's to Spring Festival, the western Baicheng region alone sold to the south over 30,000 tons of rice, or more than 50 percent of the negotiated-price rice market trading volume, with the rice outflow from producing areas such as Jilin and Tonghua probably even larger. That created an overall shortage, with a goods shortage during the peak supply season.

So why do Jiliners sell large quantities of rice to other provinces without regard for local needs? This also involves certain real issues. A grain-sector comrade notes that: 1) Grain trading companies and refining enterprises do not assume their social responsibility to curb grain prices and stabilize markets. While they first bought rice at 2.2 yuan a kg and sold at 2.4-2.6 yuan to make a profit, they now buy at 3 yuan and sell at 3.4 yuan to make another profit, meaning profits at both ends. 2) While state grain storage enterprises ought to assume the responsibility on behalf of the state to ensure supplies, they are unwilling to take the risk. They would rather take a little criticism by selling their grain on hand as quickly as possible at negotiated prices; if they store it for as long as six months, they might be criticized more or less; but their biggest fear is of the grain going bad. 3) With current grain-purchase loans being short-term ones with terms of only three months, and the missing of deadlines meaning payments of penalty interest, grain enterprises are concerned that long storage times might not earn enough money to pay bank "payment-dunners." 4) While selling areas have abundant funds, and thus can purchase in producing areas at high prices to acquire adequate reserves, producing areas are short on funds, with negotiated-price purchase plans hard to meet and the proper goods sources hard to control, making it best for them to buy in selling areas.

It is said that the grain purchase and sale situation of recent years is one of negotiated-price grain operations being in the category of business behavior, with operators considering neither residents' interests nor social stability, rather selling to whoever will pay the highest price. The state grain sector with the social security responsibility has little money and few goods, being unable to play its dominant role. This is a problem that needs to be considered and solved in an overall way by government, enterprises, and state finance from a system perspective. Others suggest that as to grain flow-direction, the state should intensify its macroeconomic regulation and control, setting up a special body to exclusively manage the overall circulation of staple grain varieties, to achieve more microeconomic channels and less macroeconomic ones.

***Inflation's Impact on Agriculture 'Overlooked'**

95CE0414A Beijing JINGJI RIBAO in Chinese
14 Apr 95 p 7

[Article by Wang Zijun (3769 1311 6511): "Impact of Inflation on Farmers and Agriculture, and Countermeasures"]

[FBIS Translated Text]

The Impact of Inflation on Farmers and Agriculture

When studying the recent round of inflation, the sharp rise in the prices of farm and sideline products since 1993 is often regarded as the key inducement factor, while the impact of inflation on farmers and agriculture is overlooked. In fact, the severe inflation of recent years has seriously obstructed the rise in peasant [farmer] income and the growth of our agricultural economy. This can be seen in detail as follows:

Inflation has increased farmers' outlay for production and living costs, lowering the growth rate of farmer income. While employee wages throughout China were growing at an annual rate of about 20 percent, farmer per capita income growth was down from 5.9 percent in 1992 to 3.2 percent by 1993.

The slow growth of farmer income has damaged their investment capability. Lower comparative farm profits have sapped farmer initiative to cultivate grain and cotton, and curbed their interest in agricultural investment. Surveys show that in 1993, the amount of farm household per capita income used for production investment actually grew only 1.1 percent.

Farm production essentials are being eroded, with capital flight to other sectors. One of the disastrous effects of excessive inflation is that it distorts price signals. Thus it makes it difficult for reasonable expectations to be formed and undermines resource distribution forces,

with these forces emphasizing circulation at the expense of production, and seeking short-term profits at the neglect of long-range investments. As a high-risk, long-cycle, and low-returns industry, agriculture is bound to feel the effects first, with agricultural production funds eroded, arable land taken over for other purposes, farm talent lost, and some places starting to see a shortage of qualified farmworkers.

The causes of these consequences are both ideological errors and agricultural features per se.

As to ideology: 1) Our longstanding policy slant toward urban industry has left us paying too little attention to farmer interests, so that we have no effective means of ensuring that farmers do not lose or lose less due to inflation. Faced with inflation, urban residents can acquire government and enterprise subsidies, while farmers are dependent on their own economic might. 2) Some hold that farmer food consumption is essentially self-sufficient, not affected by inflation, so thus needs no help. But, part of farmer self-sufficient food costs and nonfood outlay (now nearly one-half) is affected by inflation. 3) There is a misunderstanding of the development of a rural market economy, with certain areas and sectors holding that to develop market forces, government can deregulate and ignore agriculture. This is shown by farm capital goods markets lacking oversight and management, and left to arbitrary price rises and fee collections, which cheat farmers and undermine agriculture. There is no active organization or guidance of farm operations which could provide a capability to surmount operating risks.

As to agricultural features per se: 1) Agriculture is a low-efficiency, weak-quality industry. Under normal conditions, if we are completely dependent on the role of market forces, funding and income distribution are both subject to deviations unfavorable to agriculture, and with the higher the inflation the worse such deviations. 2) Due to the differences among industries, secondary and tertiary industries can more easily shift inflationary pressures and losses by raising their product selling prices. This is more difficult for farmers. First, due to the distinctive nature of farm products, and to ensure essential supplies and social stability, government cannot tolerate rising farm product prices with no restraints, so must take steps to maintain farm product prices, including adopting a policy of mandated price fixing or rationed distribution. Second, China's farm work force supply is almost unlimited, with opportunity cost very low, making the real cost of work force reproduction even higher, and hard to include in farm product costs. On the other hand, our urban-rural isolation, with no uniform labor market formed, means that wage rigidity enables higher urban work force costs due to inflation to

be included in the prices of industrial goods and labor services.

Suggested Countermeasures

Faced with the above conditions, and under the new situation of developing our socialist market economy, we need to deal with agricultural, rural, and farmer problems, placing agriculture first in our overall economic work. I would recommend the following:

1. We need to change our lack of emphasis on farmer interests. Governments and departments at all levels need to take steps to implement the party Central Committee and State Council principles and policies on paying attention to agriculture and protecting farmer interests. While our inflationary momentum has been somewhat curbed, the pressures remain great. Also, as China is in a period of system conversion, it will be difficult for some time to avoid a certain level of inflation. So we should draw on the policies toward agriculture of nations with developed market economies; and gradually take effective policy steps ensure that farmers are not threatened or are threatened less by inflation to protect farmer and agricultural interests.

2. We need to change our current analytical tendency to treat agriculture as merely a cost-push inflationary factor by first learning what factors drive farm product prices up, and what impact inflation has on farmers and agriculture. At present, with the prices of farm product input and manufactured goods in rural areas rising too fast, the various forms of arbitrary charges and appropriations in rural areas are both exacerbating inflation, as well as being the crux of our rural and agricultural economic problems, meaning that we need to deal with them in a comprehensive way.

3. We need to correct our emphasis on agriculture that merely pursues the growth of farm product gross quantity to stabilize farm product market prices at the expense of adjusting our rural industrial structure to steadily raise farm income, so that higher yields mean larger incomes.

4. We need to continue to pursue a moderately tight policy of macroeconomic regulation and control to further lower inflation, to create the necessary climate for optimizing our national economic structure and to reinforce basic industries such as agriculture. Also, we need to adjust our investment ratio in industry and agriculture, sharply raising our agricultural input, so that the agricultural investment growth rate for government at all levels corrected for inflation is faster than the revenue growth rate. We need to provide more low-interest farm loans, as well as ensuring that such

funds arrive. As our tax-assignment system is practiced, increasing central fiscal power, while not lowering local government liability, the Central Government should assume liability for agriculture as it affects the national economy and the people's livelihood.

5. In recent years, China's large shortage of agricultural capital goods, with low quality and prices rising too fast, has become one of the key factors in our higher farm product prices and slow growth of farmer income. So we need to proceed in areas such as raw materials and taxation to intensify our subsidization of agricultural capital goods industries. Also, we need to control the chaos in our agricultural capital goods market, keeping agricultural capital goods operations from becoming a field in which a few units and individuals reap exorbitant profits. At present, stabilizing agricultural capital goods prices and lowering agricultural production costs are particularly important in raising farmer income.

Also, we need to reform our farm product circulation system. This will help to establish more direct links between farm product producers and urban consumers such as integrated agriculture, industry, and commerce, and with production directly linked to marketing, will increase farmer sales income, while reducing city-dweller spending.

*Hog Output, Sales Examined, Stabilized

95CE0547A Beijing JINGJI CANKAO BAO
in Chinese 28 Jul 95 p 1

[Article by He Jingsong (6320 0513 2646): "With Special Corn Reserves Arrival and Feed Prices Back Down, Hog Output and Sales Are Gradually Tending To Stabilize"]

[FBIS Translated Text] The Domestic Trade Ministry [DTM] announced recently that with a million tons of special corn reserves arriving in the south, and the rising momentum of feed prices in all areas easing, our hog output slump has been curbed, with buying and selling prices starting to pick up, and the hog output and sales situation improving.

Buying and Selling Prices Pick Up

In 1995, the drop in hog purchasing prices and rise in feed prices in all areas had been affecting farmers' hog-raising initiative. So the state has taken steps to ship in a million tons of parity-price corn from the northeast and increase its pork reserves to safeguard hog output. The data provided by the DTM show that June hog prices in Henan, Sichuan, and Hunan Provinces had picked up 0.2-0.4 yuan from May. At the same time, piglet prices in all areas rose steadily, showing increased demand

for piglets by hog farmers, and that farmers are still confident about raising hogs.

The food sector analysis is that the recent stability in hog output is due mainly to the following factors:

1. Government at all levels has emphasized hog output, and actively built up local pork reserves, which has raised hog demand. Also, all areas have drawn up protective prices for hog purchasing, which have protected farmers' hog-rearing initiative.

2. The state food sector has done all possible to increase buying and selling and adding to inventories, which has stabilized farmers' hog-sale morale.

3. Since the state special corn reserves were supplied to markets, the feed grain price-rise momentum has eased; and the grain-to-hog price ratio is nearing a rational level, having recovered on average in Sichuan from May's 1:2.7 to about 1:3.5 for June, and in Hunan nearing 1:5.

4. Our rural dispersed hog-rearing remains dominant. The order of hog-rearing by large numbers of dispersed farmers will not essentially change in the short term. Hog-raising remains the key means of getting rich for farmers; therefore, farmers still want to raise hogs.

The Use of Parity Prices To Curb Grain Prices Succeeds

Data provided by the State Grain Reserve Bureau show that the special corn reserves from the northeast transferred by the state to the key southern hog-producing provinces are being delivered.

By the end of June, Sichuan had received 43,000 tons, taking steps such as planning to counties, one-step to factories, reduced links, and lower costs, to supply grain directly to farmers. At selling time, Sichuan practices a policy of hogs linked to grain; so that for every hog delivered for sale, farmers can buy in exchange 100 jin of parity-price corn, which ensures that corn arrives per schedule. To stimulate farmer initiative to raise and sell hogs, Sichuan has also set aside 40 percent of corn in support of priority pig farms and large hog producers, which has promoted hog output. Hunan Province has allocated its first batch of 30,000 tons of special corn reserves, with its grain sector now organizing the shipping and allocation of a second batch of 33,000 tons of special corn reserves.

All areas have implemented the pertinent state provisions on the allocation of special corn reserves, promptly selling large quantities of parity-price corn, which has effectively curbed the rise in market corn prices.

The Anhui Province grain sector, when selling large quantities of special state corn reserves, has practiced an administrative commissioner and mayoral responsibility system, strictly enforcing the state-set retail selling price of 1.4 yuan a kg. Also, it has provided that within the set times, markups, resales at a profit, and transfers for other uses are not permitted. For three months, it has provided 100 kg [of special state reserve corn] per hog toward large-scale piggeries and hog breeders. Since these steps were taken, the supplies of special corn reserves throughout Anhui have been normal.

The Jiangsu Province grain sector is planning large-quantity sales of its first batch of 23,000 tons of special corn reserves, with its distribution principle being direct planned distribution to counties. Jiangsu's rural market corn price has now stabilized at about 1.76 yuan per kg, with corn market selling prices in all other key hog-producing provinces down somewhat but stable.

Problems Not To Be Overlooked

While hog output and sales are improving, DTM experts hold that our hog market is still subject to certain problems that are not to be overlooked. The most glaring is that the hog inventory is not rational enough, with the numbers of hogs under 65 kg declining, which may have an impact on rational pork-market planning for this winter and next spring.

Also, hog purchasing funds are not ensured, with state food enterprise operating funds in short supply. When hogs are in large supply, the selling areas take advantage by forcing prices down, as well as giving a kick (large-scale debits); and when hogs are in short supply, producing areas wait for the highest bid, as well as giving a punch (demanding advance payment), which causes pork-market volatility. Also, in the rapid development of diversified operations, our urban-rural commercial sector that is still in a growth stage engages in nonstandard and unstable market behavior, which has caused hog output-sales relations in recent years to change at a higher frequency and has produced stronger repercussions.

So DTM recommends that we ensure hog purchasing funds, bringing the hog purchasing funds for large key hog-producing provinces into line with the purchasing funds for key farm and sideline products such as grain, cotton, and edible oil, thus ensuring hog commodity rates and economic efficiency, and encouraging farmers to develop hog-raising, to stabilize our hog market. Also, we need to practice the new interprovincial shipping and allocation system, raising the degree of socialized organization of our livestock and poultry output and sales.

Officials hold that to ensure the long-range stability of our hog and pork markets, hog output and circulation should take the path of production of scale, with industrialized processing and intensive operations. In qualified large and medium cities, we need to practice hog-raising of scale, gradually forming a stable livestock and poultry commodity base to raise our market regulation and control capability.

Also, we need to promote hog set-site slaughtering, to ensure pork quality, and to raise our multipurpose hog

utilization. We need to gradually establish a meat market system centered on our state wholesale meat market; focus on regional wholesale markets, and grounded in primary-level wholesale markets; and ensure state macroeconomic regulation and control, to promote meat market stability and prosperity.

Central-South Region

Shenzhen Sentences, Executes 12 Criminals

OW1708135495 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1219 GMT 15 Aug 95

[By reporter Wang Min (3769 2549)]

[FBIS Translated Text] Shenzhen, 15 August (ZHONGGUO TONGXUN SHE) — To severely punish criminals, put a stop to their unbearable insolence, and maintain social order in Shenzhen, the Intermediate People's Court of Shenzhen City held a sentencing rally today. A total of 12 convicts who had committed heinous crimes were given the death sentence. Then they were escorted to an execution ground where they were shot to death. Meanwhile, eight other convicts were given the death sentence with a reprieve, life imprisonment, and imprisonment for a set term. Most of these 12 convicts were criminal elements who had committed robberies in Shenzhen City's Longgang District. Defendant Chen Zhimin and other criminal elements committed armed robberies in people's houses in broad daylight. Resorting to violent means, they stole more than 60,000 yuan, 15,000 Hong Kong dollars, and some belongings. In accordance with the law, Chen Zhimin and others were given the death sentence for the robberies. Zhao Guangchang, Zhu Quanping, and 10 other convicts used to gang up and commit robberies and gang rapes in many places in Pingshan Township, Longgang District, Shenzhen City. They killed one and wounded several people. The Intermediate People's Court of Shenzhen City gave five backbone elements of the gang the death sentence, one member of the gang the death sentence with a reprieve, two members life imprisonment, and one member a 10-year prison term.

Guangdong Mine Accidents Leave 9 Dead, 7 Missing

OW1808034995 Beijing Central Television Program
One Network in Mandarin 1411 GMT 17 Aug 95

[Announcer-read report over video; from the "Night News" program]

[FBIS Translated Text] As of this evening, nine were confirmed dead and seven still reported missing as a result of accidents caused by serious water leakage in small coal mines in Huanghuai Town, Xingning City, Guangdong Province on 12 August. The relevant local personalities predicted that chances of survival for the missing are slim, because it has been five whole days since the accidents took place.

At about 1730 on 12 August, due to the influence of tropical storm No. (?15), sustained torrential rains fell in Xingning City, Guangdong Province. Accidents due

to serious water leakage occurred in the three small coal mines in Huanghuai Town, Xingning City. Except for the 29 miners who were evacuated at the time of the leaks, the remainder of a total of 48 miners working in the pit were trapped. As of 15 August, four miners were reported dead and the remaining 15 miners were reported missing. Later, three miners who had been trapped in the pit for as long as 72 hours were rescued. Today, five of those reported missing were confirmed dead by the latest news from Guangdong. The remaining seven miners are still missing.

Relevant local departments are conducting a round-the-clock rescue mission. It has been learned that the three small coal mines experiencing water leakage accidents are small private coal mines set up by peasants who pooled funds for their construction.

This news was supplied by Guangdong station.

Guangdong To Intensify Antinarcotics Efforts

OW1708130995 Guangzhou YANGCHENG WANBAO
in Chinese 8 Aug 95 p 1

[Report by Wang Pu (3769 2528): "Devoting More Time and Efforts to Seizing and Banning Narcotics — The Provincial Party Committee and Government Decide To Extend the Period of Concerted Action Until the End of Next Month"]

[FBIS Translated Text] The Guangdong Provincial Party Committee and Government have decided to extend the period of concerted action on drug control until the end of next month, and to further intensify efforts for seizing and banning narcotics. This was learned by this reporter yesterday afternoon at a news briefing on drug control held by the Guangdong Provincial Party Committee's Political and Legal Commission and Propaganda Department.

During the campaign aimed at taking concerted action on drug control from March to the end of July this year, Guangdong Province solved 3,328 cases involving drug manufacturing and trafficking, and 797 cases involving illegal drug possession. It also arrested 6,136 criminals; destroyed 3,148-member 802 drug trafficking gangs; and smashed 1,400 drug-peddling outlets (dens). A number of major drug trafficking groups were cracked; a number of large drug traffickers were successively arrested; and some elaborate drug peddling networks were eliminated. Various localities also captured 43,000 drug abusers; shattered 3,200 drug-taking dens; and forced 27,000 captured drug abusers to stop using drugs. Provincewide, 338.7 kg of heroin, and 73.4 kg of opium, morphine, and other drugs were seized. Drug money totaling 9.05 million yuan; 56 military-use firearms and

over 1,000 firearms of other types; and a number of sedans, cellular phones, and other tools of crime were impounded.

The Guangdong Provincial Party Committee and Government urged all localities to sum up their experience in earnest during the previous stage of the campaign aimed at taking concerted action to control drugs; take strong measures in key areas; continue escalating the crackdown; do a better job of taking compulsory drug withdrawal measures; and strive to accept more than 80 percent of drug abusers for compulsory drug withdrawal during the current stage of the concert-action campaign.

Hainan Removes Officials; Civil Exams Not Passed

*OW1608025295 Beijing XINHUA in English
0234 GMT 16 Aug 95*

[FBIS Transcribed Text] Haikou, August 16 (XINHUA) — South China's Hainan Province recently removed seven officials from the provincial government after they failed to pass a civil service exam.

The seven, a deputy department chief and six section officials are probably the first Chinese officials to be relieved of their posts because of failing an exam.

In its efforts to set up a civil service system, Hainan has passed some regulations requiring most of its officials under the age of 55 to take part in an exam on the market economy, civil service system, and administrative procedures.

An official with the provincial Personnel and Labor Department says that Hainan will hold the exam annually in the future, and that those who fail for two consecutive years will be dismissed. Up to now, more than 4,000 Hainan officials have passed the exam.

In the meantime, Hainan is choosing new civil servants by giving exams open to the public.

Hainan Radio Reports Execution of 10 Criminals

*OW1708130495 Haikou Hainan People's Radio
Network in Mandarin 2300 GMT 11 Aug 95*

[From the "Hainan News" program]

[FBIS Translated Excerpt] On the morning of 11 August, the Intermediate People's Court of Hainan held a sentencing rally attended by over 10,000 people in Qionghshan City. The court announced sentences on 10 serious criminal offenders.

Wang Xueping, standing committee member of the provincial party committee and vice governor of the province; Wang Xintian, vice chairman of the provincial people's congress standing committee; Tian Zhongmu, president of the provincial higher people's court; and

Qin Xingmin, chief procurator of the provincial procuratorate, attended the sentencing rally.

The statement of sentence issued by the Intermediate People's Court said: The criminals, led by Hong Sen-nian, began their hooligan activities in August 1993. They fled after being rounded up by the public security organs and continued their criminal activities. They bought firearms and bullets, committed armed robbery in Qionghshan, beat up innocent people, disrupted normal production order, and seriously harmed public security. The hooligan gang killed two people, seriously injured one, and committed 25 cases of armed robbery and nine cases of blackmail. [passage omitted]

According to the first trial and sentence of the Intermediate People's Court of Hainan, with the approval of the provincial Higher People's Court, the gang members were deprived of political rights for life. Ten criminals were sentenced to death and were immediately executed after the sentencing rally.

Hubei Launches Tuberculosis Control Project

*SK1808061895 Wuhan Hubei People's Radio Network
in Mandarin 1000 GMT 17 Aug 95*

[FBIS Translated Text] The tuberculosis control project, funded with World Bank loans and organized by the Ministry of Public Health, has recently been carried out in a comprehensive manner in the Enshi Autonomous Prefecture. This project is primarily devoted to helping poverty-stricken areas effectively control patients suffering from infectious tuberculosis by providing them with free medical treatment. Thus far, the World Bank has already granted 1.8 million yuan in loans to the Enshi Autonomous Prefecture; various counties and cities have also provided approximately 6.8 million yuan of auxiliary funds to this prefecture. Now, more than 70 percent of tuberculosis patients in the prefecture have been receiving positive treatment, of whom 90 percent have fully recovered.

North Region

Beijing Steps Up Residential Construction

*OW1608065595 Beijing XINHUA in English
0644 GMT 16 Aug 95*

[FBIS Transcribed Text] Beijing, August 16 (XINHUA) — The Chinese capital has stepped up its construction of residential buildings entering 1995.

During the first five months of this year a total investment of 3.28 billion yuan (about 395 million US dollars), up 51.9 percent over the same period of last year, had been spent on the construction projects, according

to the Beijing Urban and Rural Construction Committee. The completed residential construction projects cover an area of 292,000 sq m.

Nine new residential districts have been built, bringing the total number of new residential districts to over 160.

During the first half of this year the newly-launched residential construction projects accounted for 66 percent of the total number of newly-launched construction projects.

Covering an area of 600,000 sq m, the "Comfortable Housing Project" was launched this year as a government-funded housing project to help low-income people.

The municipal government's goal is to complete 800,000 sq m of residences by the end of this year.

Tianjin Links Up With North-South Rail Artery

OW1508151995 Beijing XINHUA in English
0924 GMT 15 Aug 95

[FBIS Transcribed Text] Tianjin, August 15 (XINHUA) — The largest port city in north China has recently witnessed the connecting of its Nancang marshalling station with the Beijing-Kowloon railway, the country's most important rail transport artery being built from north to south.

The Tianjin Rail Engineering Company has removed a total 560,000 cu m of earth and stone since April 1993. Meanwhile, it has repaired and built 24.61-km rail tracks and 90 crossings.

The entire connecting project is expected to be completed by the end of this year. By that time, Tianjin will have an additional freight handling capacity of 50 million tons.

This will provide a great impetus in speeding up economic development of coastal and inland areas and strengthening south-north cooperation, officials said.

Northwest Region

Party Secretary on RENMIN RIBAO Distribution

SK1808064795 Xian Shaanxi People's Radio Network
in Mandarin 0010 GMT 18 Aug 95

[FBIS Translated Text] The meeting on propaganda work and the distribution of RENMIN RIBAO throughout northwest China was held a few days ago in Xian. An Qiyuan, secretary of the provincial party committee, met with representatives at the meeting. Speaking at the meeting were Liu Ronghui, deputy secretary of

the provincial party committee; Gong Deshun, vice governor of the province; and Cui Lintao, Standing Committee member of the provincial party committee and secretary of the Xian party committee. They expressed warm support for the distribution work of RENMIN RIBAO.

At the meeting, Fan Jingyi, editor in chief of RENMIN RIBAO, spoke highly of the good results achieved by the comrades of Propaganda Departments and Postal and Telecommunications Departments in the five north-west provinces and autonomous regions that are engaged in distributing RENMIN RIBAO. He then briefed the meeting's representatives on the characteristics of RENMIN RIBAO in recent years, and expressed that in the future even greater efforts will be made to seek reality, strengthen work at the grass-roots level, and increase readership.

Fan Jingyi stressed: RENMIN RIBAO should maintain a very high standard as an office paper of the CPC Central Committee, as a major medium through which the vast numbers of cadres and masses can understand the guidelines of the central authorities, and as a major window through which outside places can observe and understand China. On this, there is no room for doubt.

Qinghai To Build Nation's 'Highest' Road Tunnel

OW1808095695 Beijing XINHUA in English
0924 GMT 18 Aug 95

[FBIS Transcribed Text] Xining, August 18 (XINHUA) — A highway tunnel through Daban Mountain in northwest China's Qinghai Province broke ground recently.

The project is 3,850 m [meters] above sea level, the highest of its kind in China and the second highest in the world.

Located in the east of the Qilian mountain range of the Qinghai-Tibet Plateau, the tunnel will have a length of 1,530 m.

The central government will earmark 128 million yuan for the construction of the tunnel. The average temperature is 31 degrees centigrade below zero on the northern slope of the Daban Mountain and accumulated snow is 33 cm to 66 cm deep, making the area a spot of frequent traffic accidents.

The tunnel is designed by the Highway Designing Institute of Shaanxi Province and is being constructed by the First Engineering Division of the No. 16 Bureau under the Ministry of Railways. The project will be finished by the end of June, 1997.

Article Outlines Li Teng-hui's Actions

HK1808024995 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 14 Aug 95 p 5

[Article by Qin Jing (4440 0079): "Where Does Li Denghui Want To Lead Cross-Strait Relations?"]

[FBIS Translated Text] The people across the strait are increasingly disappointed at what Li Denghui [Li Teng-hui] has done in recent years.

First, Li is unreliable and always goes back on his word. Let us look at the following examples: One, at a press conference on 23 February 1988, he said: "We should enable everyone to understand that the national policy of the Republic of China [ROC] is that there is only one China, and not two." At the "double tenth" ceremony in 1990, Li also declared in his message: "There is only one China, which must and will be unified." On 6 February 1993, however, he corrected himself when meeting with members of the Taiwan "Legislative Yuan" by saying that he had never mentioned one China, and what he maintained was the ROC in Taiwan. From then on, the connotation of "one China" was changed by Li Denghui to "one PRC on the mainland, one ROC on Taiwan"; the two sides of the strait are "two reciprocal political entities"; "the 'one-China' principle has become the greatest harm to Taiwan"; and "one China refers to reunification of the two sides of the strait in the future." Two, he said on numerous occasions in 1990 that he would have the opportunity of leading the Chinese on Taiwan to the mainland within six years. When someone asked about this matter three years later, he corrected himself by saying that he was merely "encouraging others." Three, during his conversation with Japanese writer Shiba Totaro, he said that the Kuomintang [KMT] is an alien political power. When a "KMT deputy" asked him about that statement not long afterward, he flatly denied what he had said. We can see from these examples that Li Denghui does not possess the character and ability to be a leader.

Second, Li Denghui has fanatically advocated "splittism and separate rule" and has taken an increasingly hostile attitude toward the mainland. What he has done is different in tune, but equal in results with those who advocate Taiwan independence. Over the years, aside from the positive action on cross-strait relations taken during the first few years after he assumed office, he has retreated day by day instead of making progress. Following the termination of the "period of mobilization to suppress the communist rebellion" in April 1990, he brazenly advertised that "the time has come to resolve the China question on a grand international occasion." He later attached himself to some U.S. politicians,

called for "a new explanation of sovereignty," and vilified the CPC for sticking to the "outdated concept of sovereignty on the question of reunification." Following the reunification of Germany, he continued to preach the idea of resolving the question of China's reunification in light of the East and West Germany model, meaning first recognizing the separation and establishing a "reciprocal cross-strait" framework. He deliberately distorted the "one country, two systems" proposal for reunification made by the CPC, saying that it is tantamount to "treating Taiwan like a father to his son," which is "annexation." Following the Qiandaohe incident in March 1994, the people across the strait were filled with grief and indignation. The mainland government immediately organized forces to resolve the case and to deal with the problems arising therefrom in an appropriate manner. However, Li Denghui, making no distinction between right and wrong, viciously attacked the CPC government, saying that it was "a group of evil forces" and "bandits." During his conversation with Japanese writer Shiba Totaro, he said that it was "grievous to be a Taiwanese." He regarded the KMT as an "alien government" and said that "the word China is ambiguous," "the word sovereignty is dangerous," and "it would be a strange dream to make Taiwan a province of China." During this conversation, he made public for the first time his innermost "basic thinking," that is, Taiwan "must be something that belongs to the Taiwanese." Claiming himself to be Moses, leader of the Jews, Li wanted to lead the Taiwanese "out of Egypt." To attain his purpose of "splitting" with the mainland and exercising "separate rule," he did all he could to use the Taiwan people's hard-earned money as bait, carried out activities hither and thither, went in for the so-called "head of state diplomacy," and vigorously promoted Taiwan's "return to the United Nations." On the basis of the "peaceful reunification, and one country, two systems" proposed by Deng Xiaoping, CPC General Secretary Jiang Zemin, on behalf of the CPC Central Committee and State Council, made an "eight-point proposal" earlier this year for further developing cross-strait relations and promoting the great cause of the motherland's reunification. The Chinese people at home and abroad had the same impression of the "businesslike nature" and "sincerity" of the proposal, and thus were encouraged. The Taiwan authorities actually could have taken this as a golden opportunity to promote cross-strait relations, but led by Li Denghui, they were determined to pursue splittism and separate rule. In his "six-point proposal" response, the first point sticks to "pursuing China's reunification based on the reality of separate rule across the strait," while the fourth point even proposed that "the two sides should participate in international organizations on equal footing, and

the leaders of the two sides should take this as the opportunity to meet naturally." In June this year, Li used a tremendous amount of funds to attain his purpose of visiting the United States. In his speeches at Cornell University, Li threatened to do all he could to "challenge the impossible" and "break the diplomatic isolation."

Posing as a "servant of the people" and the "embodiment of public opinion," Li Denghui talked volubly about "sovereignty to the people," "everything should be based on the popular will," and "the desire of the people remains deep in my heart," in an attempt to make use of Taiwan's public opinion to attain his goal of splitting sovereignty, state, and nation.

Viewed from the angle of political science, "sovereign" refers to a political power. Viewed from international law, sovereignty, which can only be in a state, is the supreme ruling power of a state within the range of its territory and the powers of a state in independently participating in international affairs; it is the fundamental property of a state. As Taiwan is not a state, how can there be sovereignty?! Moreover, Taiwan, which is part of China, was returned to China following the anti-Japanese war. Only the PRC can truly represent China in the world. For this reason, the voice of the 1.2 billion Chinese people should be listened to on matters involving cross-strait relations, the future of Taiwan, and China's reunification because the people on mainland China are concerned about the destiny and future of Taiwan. Moreover, the future development of the two sides of the strait is closely linked.

With an ulterior motive, Li Denghui separated Taiwan's public opinion from the will of all the Chinese people, set the one against the other, sowed discord among them, and created hostility. Therefore, he is not accepted by the people across the strait, and especially not by those on the mainland. What actually is Taiwan's public opinion on the handling of cross-strait relations? Those who have followed the situation on the island can find easily that it is the desire of the majority of the people to seek peace and the stable development of cross-strait relations, to realize direct transport and communications as early as possible, to maintain closer ties, gradually to increase mutual understanding, to mitigate hostility and misunderstanding, to narrow differences, and to establish a framework for mutual development. In spite of the fundamental interests and desire of the Taiwan people, Li Denghui has abused powers on cross-strait relations. He used "naive and romantic hope," "unrealistic illusion," and "falling into the CPC's united front trap" to rebuke the call for accelerating the development of cross-strait ties. In a word, Li Denghui tried by various means to suppress and mislead public opinion, and even to create "public opinion."

After seeing and hearing what Li Denghui has done over the past few years, and making a careful analysis of his behavior, we can judge easily whether he is promoting peaceful cross-strait reunification or splittism, and whether he is doing his utmost to improve cross-strait relations or deliberately creating tension. All Chinese people, including those in Taiwan, should heighten their vigilance, and should prevent the "hidden Taiwan independence elements" from pushing the Taiwan people into turbulence, and even into the abyss of chaos, under the cloak of reunification.

'Cause' of 'Disaster' for Taiwan Analyzed

OW1708123895 Beijing ZHONGGUO XINWEN SHE
in Chinese 1213 GMT 15 Aug 95

["Roundup" by reporter Fu Houmin (0265 0683 7044): "People of All Circles in Taiwan Oppose Li Denghui's Attempt To Pursue 'Taiwan Independence'"]

[FBIS Translated Text] Hong Kong, 15 August (ZHONGGUO XINWEN SHE) — In recent months, Li Denghui [Li Teng-hui] of Taiwan has been condemned by media at home and abroad for "promoting reunification in name but independence in reality." Meanwhile, an endless chorus of voices in Taiwan has been accusing him of advocating "Taiwan Independence" under the name of the "Republic of China on Taiwan." Like Wang Jingwei's attempt during the War of Resistance Against Japan, Li Denghui's attempt is a traitor's trick aimed at splitting the motherland.

Many mass organizations in Taiwan have publicly denounced Li Denghui's pursuit of "Taiwan independence." A great parade in Taipei the other day, sponsored by the "New Chinese United League," in which more than 10,000 people took part, was originally aimed at celebrating the 50th anniversary of the victory over Japan and of the restoration of Taiwan to China. But it turned out to be a rally for publicly denouncing Li Denghui for pursuing "Taiwan independence." Shouting such slogans as "eradicate Taiwan independence and traitors," the demonstrators condemned Li Denghui for pursuing "Taiwan independence," leading to tense relations between the two sides of the Taiwan Strait. They emphatically said that Taiwan's safety and prosperity can only be safeguarded by discarding "Taiwan independence" and that China's peace and unification can only be promoted by opposing "Taiwan independence."

Quite a few mass organizations pointed out that Li Denghui has not only connived to achieve "Taiwan independence" but has also moved toward "building an independent country of Taiwan." They strongly urged Li Denghui to wake up to and escape disaster at the last moment.

Many scholars and "legislators" in Taiwan also criticized Li Denghui for pursuing "Taiwan independence." At a recent discussion meeting on "resolving tense relations between the two sides of the Taiwan Strait" held in Taipei, attending scholars directed their spears at Li Denghui, calling him a chief criminal for creating tense relations between the two sides by publicly lobbying for "two Chinas" or "one China, one Taiwan" in the international arena under the pretext of so-called "pragmatic diplomacy." His real intention is clearly shown by his advocating "splitting the country and ruling under separate regimes" and "participating in the United Nations" under the name of Taiwan. These scholars held that Taiwan has been an inalienable part of China since ancient times. Li Denghui, who is trying to detach Taiwan from China, has forgotten his own origins.

Some Taiwan "legislators" said: Li Denghui's intention to "manage greater Taiwan and establish a new China [xin zhong yuan 2450 0022 0626] represents an attempt to pursue "Taiwan independence." Completely discarding the "mask" used to promote reunification in name, he mentioned the "Republic of China on Taiwan" 17 times during his speech at Cornell University.

Meanwhile, men of insight in Taiwan have already raised a strong warning that Li Denghui's clamor for "Taiwan independence" has brought Taiwan's 21 mil-

lion people to the brink of disaster. Li Denghui's attempt to seek "Taiwan independence" will only bring about a real crisis. They held that the greatest hidden worry for Taiwan at present is the flamboyant atmosphere of "Taiwan independence." Li Denghui's attempt to build himself up with the help of foreign forces and his moves to deteriorate cross-strait relations will only lead to his "self-destruction."

However, a public opinion poll conducted on the island recently showed that the number of respondents who were for "Taiwan independence" dropped sharply, by seven percentage points, and only accounted for 26 percent, while those who were in favor of maintaining relaxed cross-strait ties and reunification reached 65 percent. Many respondents held that cross-strait relations should take precedence over the authorities' so-called "pragmatic diplomacy" and that Li Denghui, who has pursued "Taiwan independence" and risked people's safety in disregard of the interests of people in Taiwan, is by no means good for Taiwan.

Li Denghui's attempt to pursue "Taiwan independence" has created tense cross-strait relations, which in turn has directly threatened Taiwan's safety. It is very clear now where the "cause of the disaster" lies.

Ministry Spokesman Notes Mainland's Nuclear Test

OW1808022995 Taipei CNA in English
0147 GMT 18 Aug 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, Aug. 17 (CNA) — The Ministry of Foreign Affairs said the government of the Republic of China [ROC] opposes Mainland China's underground nuclear testing, which was held in a remote western mainland desert Thursday.

"It is the ROC Government's established stance to oppose any nuclear test by any country in the world," Foreign Ministry spokesman Rock Leng said.

Leng said he realizes the international community will come up with its own evaluation of the threat Beijing may pose in a series of missile tests and underground nuclear explosions.

Through the official XINHUA news service, Mainland China's Foreign Ministry confirmed the nuclear test, which took place at the Lop Nor nuclear site in western Xinjiang at 9:00. It was the 43rd nuclear blast at Lop Nor since tests started in 1964, and the second one this year.

Thursday's test has incited strong protests from Japan, Australia and New Zealand.

Plans for 3d, 4th Missile Tests Completed

HK1808014595 Hong Kong EASTERN EXPRESS
in English 16 Aug 95 p 14

[By Zhang Hongjun]

[FBIS Transcribed Excerpt] Beijing has completed its plans for the third and fourth missile tests even before the second round of testing missiles are launched, according to a source in the capital.

It is understood that the third test, for which the date is not yet known, will be a comprehensive one involving both missiles and gunboats, with an emphasis on the skills needed for a marine blockade.

The fourth exercise will include a landing drill, which will be held on the mainland coast.

The four exercises will form a blueprint for Beijing's attack on Taiwan, which would be a limited war.

Beijing believes that if such a war is waged against Taiwan, it must be a sharp and short one rather than a prolonged one. [passage omitted]

MAC Research Official on Cross-Strait Talks

OW1808045695 Taipei CHUNG-YANG JIH-PAO
in Chinese 17 Aug 95 p 2

[FBIS Translated Text] Chan Chih-hung, director of the Mainland Affairs Council's [MAC] Research and Planning Department, said yesterday: At the current stage, we do not feel the pressure of having a timetable for consultation; however, we will make the best preparations for consultation. Meanwhile, it is impossible to hold a political dialogue for the time being.

With the Chinese Communists' second missile test in mind, Premier Lien Chan announced on 15 August that both sides should resolve misunderstandings and settle all disputes through consultation. Chan Chih-hung said yesterday: "Consultation should not be held under mutual oppression." At present, we do not feel the pressure of having a timetable for consultation. If someone holds consultation under pressure, he is likely to lose without fighting. If one party feels time constraints but the other party ignores it, then the one, who feels pressure, will be impatient to make a concession. We cannot hold consultations under such circumstances.

Chan Chih-hung emphasized: Since we advocate equal status during consultation, we should insist that consultation be held under mutual consent, rather than mutual oppression. Moreover, we are not a defeated nation.

Chan Chih-hung also pointed out: "It is impossible for both sides to hold a political dialogue at the current stage," because the government and the public have reached a consensus that consultation should be held according to the National Unification Guidelines under a situation that equality, security, and dignity are assured. The eight items agreed at the first preparatory meeting are the topics that we plan to discuss during the Second Ku-Wang Talks and they will not be altered due to current situation. We are waiting for the Chinese Communists to return to the negotiation table. We have done all we can and have shown our sincerity. It is up to the Chinese Communist to play the game of chess.

As for recent various proposals on international or domestic mediators, Chan Chih-hung said clearly: Under the legal system, it is impossible for us to establish a new communication channel under the situation that we have the Strait Exchange Foundation [SEF] as a communication channel. Regarding the issue that Singapore's political adviser Lee Kuan Yew acts as a go-between, MAC Chairman Hsiao Wan-chang has denied the possibility.

Chan Chih-hung called on the Chinese Communist authorities to live up to their words, since they have

repeatedly emphasized that political differences should not obstruct cross-strait consultation and exchange.

As for nongovernmental cross-strait exchanges, Chan Chih-hung said the MAC is unable and has no right to cut off nongovernmental exchanges. It is unaware that the Chinese Communists have made any major moves to obstruct nongovernmental exchanges. He emphasized that both sides should continue consultation, otherwise there will be more and more problems and misunderstandings between the two sides.

Lien Announces Measures To Stabilize Market

*OW1708153295 Taipei CHUNG-YANG JIH-PAO
in Chinese 12 Aug 95 p 1*

[FBIS Translated Text] Lien Chan, Executive Yuan president [and government premier], convened an emergency meeting at noon on 11 August regarding the current financial and economic situation. During the meeting, Premier Lien instructed the Central Bank of China [CBC] and the Finance Ministry to adopt appropriate measures aimed at actively coordinating the allocation of funds in the monetary market; and to ease restrictions on the ratio of foreign-invested shares and raise the ratio of bank-invested shares with a view to stabilizing the foreign-exchange and stock markets. In the evening, the CBC and the Finance Ministry announced the major measures aimed at stimulating economic prosperity, including the lowering of deposit reserve ratios and the expansion of the ratios of shares invested by foreign investors and banks.

During a dinner party in the evening, Premier Lien personally announced to some 80 business leaders the five concrete measures to be taken by the government.

Last night, the business leaders held a "pre-birthday party" in celebration of Premier Lien's 60th birthday at the Ambassador Hotel, during which they asked Premier Lien to deliver a special address on the current financial and economic situation. Premier Lien noted: The two recent financial incidents have had a major impact. The government has moved quickly to adopt a package of measures to ward off any effects on domestic production. The stock market has acted abnormally as a result of recent Communist Chinese-influenced developments in cross-strait relations. Accordingly, the government has decided to take concrete measures.

These include: 1) Lowering deposit reserve ratios. The ratios for current-account deposits and time deposits will be slashed 1 percent and 0.5 percent, respectively. This will release more than 60 billion new Taiwan [NT] dollars in bank funds. 2) Widening stock investment channels. The ratio of company shares issued domestically by foreign investors will be increased from 12 percent

to 15 percent, and the release of official shares will be temporarily suspended. 3) Raising the ratio of bank-invested securities from 20 percent to 25 percent so that it will not be restricted to less than the sum of the bank's total deposits and the sales volume of financial bonds. 4) Agreeing to take essential measures to maintain the normal supply of funds in the monetary market, especially those for stock companies. 5) Instructing the CBC to keep the foreign-exchange market stable in order to maintain an appropriate exchange rate for the NT dollar.

As a result of the incidents that took place successively at the Fourth Credit Cooperative and the International Bills Finance Company, and Communist China's new announcement on staging military exercises in the East China Sea, the stock market yesterday plummeted 217.96 points to close at 4,551.89 points, with trading volume totaling NT\$34.49 billion. The NT dollar depreciated 39.3 cents to close at NT\$27.36 to the dollar, the lowest closing price in nearly 52 months. Trading value soared to \$380.5 million.

At noon, Premier Lien convened an emergency meeting at the Executive Yuan. Hsu Li-te, Executive Yuan vice president and Council for Economic Planning and Development [CEPD] chairman; Finance Minister Lin Chen-kuo; CBC Governor Hsu Yuen-tung; Chao Shou-po, Executive Yuan secretary general; CEPD Vice Chairman Hsueh Chi; and Hu Chih-chiang, Government Information Office director general, were invited to the meeting to exchange views. Premier Lien gave the aforementioned policy instructions regarding the measures to be taken. In the evening, the CBC and the Finance Ministry quickly announced the concrete measures to be taken by the government.

In his address last night, Premier Lien urged the business leaders to act responsibly both in exercising their rights and performing their duties, to play their roles well, to accept verdicts by which winners are selected and losers are eliminated, and to mature in the midst of challenges in view of the ever-intensifying competition on the "irreversible path" toward full liberalization in international economic relations and trade.

Ministry Asked To Study Ways To Prevent 'Scandals'

*OW1808100895 Taipei CNA in English
0855 GMT 18 Aug 95*

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, Aug. 18 (CNA) — Premier Lien Chan Friday ordered the Ministry of Finance to study ways to prevent fraud scandals in the country's financial liberalization and internationalization process.

Lien made the instruction while making his first inspection tour of the Finance Ministry in the wake of a row of financial scandals at local financial institutions in recent Liks.

Noting that maintaining market order is very important in promoting financial reforms, Lien said the Finance Ministry should help create a financial environment conducive to Taiwan's overall economic development.

He urged the ministry and the Central Bank of China to jointly make a comprehensive review of the current financial inspection system and take immediate steps to improve the system to prevent any irregularities, kickbacks or fraud.

"I hope the Finance Ministry will tighten supervision of local financial institutions and publicly listed companies to ensure healthy development of the monetary market and maintain domestic financial stability," Lien said.

He suggested that the ministry coordinate with other related government agencies to increase financial regulatory manpower and raise their pay to improve the efficiency of financial inspection.

The ministry should also help educate financial institution owners and management personnel about the importance of their role in maintaining social stability and boosting public well-being, Lien said, adding local financial institutions should strengthen internal auditing and risk management to prevent fraud.

In light of the world's changing financial and economic situation, Lien said, the Finance Ministry should take the initiative to promote healthy development of stock and futures markets to offer more channels for local businesses to raise mid- and long-term capital to finance their normal operations or new expansion projects.

The ministry's Securities and Exchange Commission should strengthen monitoring of listed firms' operations and their internal control systems to prevent irregularities and protect stock investors' interests, Lien said.

He ordered the ministry to consult with the central bank and the Council for Economic Planning and Development to draft a package of amendments to the current law governing allocation of tax revenues between the central and local governments. In line with the government's liberalization policy, Lien said the cabinet has decided to delegate more financial power to local governments so that they will have more sources to raise funds to finance grassroots construction projects.

To establish a more liberal and efficient financial system, Lien urged the ministry to review existing laws and regulations and formulate a forward-looking

financial policy to create a favorable investment climate and boost domestic economic development.

Lien later inspected the central bank. He urged the central bank to accelerate promotion of the country's bid to develop Taiwan into a regional financial hub in the Asia-Pacific.

Lien also said the central bank, when necessary, can intervene in foreign exchange market operations to maintain market order. He further suggested that the central bank further ease restrictions on entry of foreign investment in the local stock market in line with the government's financial liberalization policy.

Lien Meets Former Defense Secretary Brown
OW1808011395 Taipei CHUNG-YANG JIH-PAO
in Chinese 13 Aug 95 p 1

[FBIS Translated Text] Premier Lien Chan received a delegation from the U.S. Center for Strategic and International Studies headed by former U.S. Secretary of Defense Harold Brown yesterday. He pointed out that the world situation has undergone drastic changes following the collapse of the Soviet Union and communist parties. The balance of power mechanism that emerged internationally during the Cold War needs to be re-examined and readjusted.

Premier Lien Chan stressed that the Asia-Pacific region is one of the world's fastest growing areas. It is hoped that the United States will pay close attention to this region, and particularly keep in mind the region's importance to global peace and security. On cross-strait relations, Premier Lien Chan reiterated his desire that the two sides continue advancing exchanges in all areas in accordance with the principle of mutual trust and benefit. Our side will continue promoting better bilateral relations with a well-meaning and pragmatic approach.

Premier Lien Chan also briefed the guests on the political, economic, and social progress our country has made in recent years. As a result of robust economic development and democratic progress, the people are more inclined to participate in international affairs. The Republic of China genuinely wishes to contribute to the international community by helping other nations. For this reason, we have made active efforts to join international organizations.

Premier Lien Chan reiterated that our efforts to rejoin the international community deserve support and they should not be discriminated against by the international community.

Delegation To Attend Aviation Seminar in Beijing*OW1808014495 Taipei CNA in English*
0105 GMT 18 Aug 95

[By Yang I-feng]

[FBIS Transcribed Text] Taipei, Aug. 17 (CNA) — Taiwan civil aviation and transportation businessmen and government officials will take part in the "Cross-Strait Civil Aviation and Transportation Seminar" to be held in Beijing on Aug. 27.

The 30-member Taiwan delegation will be led by Mandarin Airlines chairman Peter Bien. Two officials with Taiwan's Ministry of Transportation and Communications and Civil Aeronautics Administration will also attend in a private capacity, along with civil aviation and travel affairs businessmen.

The seminar is to be sponsored by the Civil Aviation Association of China. Topics will include models for cross-strait air routes, direct flight airport management, ticketing management, and maintenance.

The delegation will visit the Shanghai airport and also call on Association for Relations Across the Taiwan Strait chairman Wang Daohan.

The delegation is scheduled to depart on Aug. 23 and return to Taiwan on Aug. 28.

MAC To Invite Agencies To Review Travel Rules*OW1808104195 Taipei CNA in English*
0958 GMT 18 Aug 95

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, Aug. 18 (CNA) — The cabinet-level Mainland Affairs Council (MAC) will soon invite related government agencies to review regulations governing travel to Taiwan by Mainland Chinese professionals, a MAC official said Friday.

Liu Teh-hsiun, director of MAC's Department of Legal Affairs, said that he expected a final draft of the regulations to be completed in two months and sent to the Executive Yuan for approval.

Liu denied reports that MAC will lift travel bans on mainland officials holding noncommunist party, political and military positions. He said the MAC is concentrating on simplifying application procedures and other regulations.

Liu noted that MAC chairman Hsiao Wan-chang has attached great importance to the simplification of regulations, and Hsiao has vowed to finish the job soon.

Liu said that in the forthcoming discussion, participants will discuss the amount of time Mainland Chinese pro-

fessionals will be allowed to stay and technical problems such as the simplification of application procedures.

Second National Assembly Session Ends*OW1808032495 Taipei CNA in English*
0123 GMT 18 Aug 95

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, Aug. 17 (CNA) — The fifth extraordinary session of the Second National Assembly [NA] closed Thursday, formally lowering the curtain of the Second National Assembly, which was elected in December 1991.

The fifth extraordinary session, which first convened on July 21, concluded Thursday after 28 days of convocation, and managed to pass six statutes pertaining to NA structure and operations.

National Assembly Secretary-General Chen Chin-jang lauded the endeavor of NA members during their four-year tenure, saying that their contribution was a driving force behind the ROC's [Republic of China] constitutional reforms.

Highlights of the six statutes passed included the decision to institute a speaker and a deputy speaker in the National Assembly.

Commenting on the performance of the Second National Assembly, Shao Tsung-hai, spokesman for the KMT [Kuomintang] caucus, said NA members from the KMT camp demonstrated an unprecedented degree of compromise with their counterparts from the opposition Democratic Progressive Party (DPP) and Chinese New Party (CNP) during the assembly sessions.

NA members from the DPP and the CNP, however, were disappointed with the performance of the Second National Assembly, particularly proposals on abolishing the National Assembly and the merger between the National Assembly and the Legislative Yuan into a single parliament.

KMT members vetoed DPP and CNP proposals with their dominant 245 seats out of the total 325.

DPP and CNP members vowed that they will see to it in the Third National Assembly, to be elected in March 1996, that the KMT will not maintain its majority.

The key function of the National Assembly — to elect the president and vice president — was repealed last year. The NA completed a constitutional amendment during the fourth extraordinary session in April 1994, which decided that the next president and vice president of the Republic of China will be chosen through popular election.

Control Yuan's Chen Announces Presidential Bid

OW1808043295 Taipei CNA in English
0139 GMT 18 Aug 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, Aug. 17 (CNA) — A second KMT heavyweight, Chen Li-an, head of the Control Yuan, announced on Thursday his bid to run for the presidency of the Republic of China [ROC] in the first direct presidential race slated for next spring.

"The time is ripe for me to stand up," Chen said when asked why he decided to run for president.

"When I saw a number of questions confronting the country and making the public restless, I felt it was my obligation to shoulder a greater responsibility," Chen said.

Citing the many government positions he had assumed in the past, Chen said he felt somewhat responsible for the existing problems. "Competing in the race is meant to shoulder my responsibility and atone for (these problems)," Chen said.

Chen, son of late Vice President Chen Cheng, has served as university president, chairman of the National Science Council, economic affairs minister and national defense minister before assuming his current position. The senior Chen was noted for carrying out land reforms that benefited millions of tenant farmers in the 1950s.

Chen recalled that many people proposed that he run in the presidential elections when he delivered a series of speeches on Zen in schools and other institutions around the island. Chen said that since then, he has kept the idea in mind.

He said he has never exchanged views with any other government or party officials. "I have continued to evaluate my motivations," said Chen, a devout Buddhist.

Asked whether he would participate in the KMT primaries, Chen replied in a Zen language, "I respect the framework (of the party) but will not be trapped by the framework."

Lin Yang-kang, senior advisor to President Li Teng-hui and the first KMT presidential candidate, said he shares many beliefs with Chen, a man he hailed as an "experienced" and "steady" statesman.

Lin admitted that if Chen is determined to run until the end, he might win some of the votes that would have gone to Lin, particularly the Buddhist vote. Still, Lin said he would continue to seek opportunities to cooperate with Chen.

Hsu Shui-teh, secretary-general of the KMT Central Committee, emphasized that the KMT will decide on its presidential nominee in a democratic way. "If any party members do not abide by the rules, they will be disciplined," Hsu said.

Despite an increasing number of reports that he will run for re-election, KMT Chairman Li Teng-hui, the incumbent president, has yet to announce his bid to seek another four-year term.

Meanwhile, the Democratic Progressive Party, Taiwan's largest opposition party, will field a candidate in the election after the second-stage primaries end next month. Peng Ming-min, former political science professor of National Taiwan University, and Hsu Hsin-liang, former DPP chairman, edged out two other rivals in the first-stage primaries.

The Chinese New Party, whose core is made up of a group of disgruntled former KMT members, said Thursday it will determine its presidential and vice presidential candidates this month.

Efforts To Rectify Trade Deficit Pay Off

OW1808101995 Taipei CNA in English
0936 GMT 18 Aug 95

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, Aug. 18 (CNA) — Government efforts to improve the trade deficit with Japan have borne some fruit, with increasing numbers of Taiwan-based Japanese manufacturers reexporting their products to Japan, the Industrial Development Bureau (IDB) said Friday [18 August].

IDB's task force to improve the trade deficit with Japan reported that Japanese manufacturers in Taiwan have reexported NT\$11.041 billion (US\$401.49 million) worth of information products in the first half of the year, up 184 percent from the same time last year.

IDB officials said that the large appreciation of Japanese yen, rapid growth in the number of IBM-compatible computers produced by Japanese manufacturers in Taiwan and their competitive prices have all helped boost the booming reexport trade.

Japanese manufacturers also reexported NT\$9.8 billion (US\$356.36 million) worth of home appliances in the first six months this year, up 63 percent from last year.

Japanese manufacturers reexported NT\$4.054 billion (US\$147.41 million) worth of autos, NT\$129 million (US\$4.69 million) worth of pharmaceuticals and NT\$1.545 billion (US\$56.18 million) worth of electric

saws, up 41 percent, 15.96 percent and 5.21 percent respectively.

However, cameras produced by Japanese manufactures here have recorded a slight decrease in reexport trade. The small decline was attributed to Canon's transfer of some of its camera production to Mainland China.

Taiwan suffered a trade deficit of US\$14.42 billion with Japan in 1994.

Spokesman Reiterates Concern Over Smuggling

*OW1808104095 Taipei CNA in English
0954 GMT 18 Aug 95*

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, Aug. 18 (CNA) — Ministry of Foreign Affairs spokesman Rock Leng reiterated Friday that the ROC [Republic of China] Government is concerned about a Taiwan fishing boat suspected of smuggling illegal aliens from Mainland China to the United States last month.

Leng, however, appealed for understanding from the U.S. side that Taiwan may not be able to fully satisfy the

U.S. demand by detaining and prosecuting the captain and a crew member of the vessel involved, "because Taiwan has no such law which can effectively contain crimes pertaining to alien smuggling."

The spokesman nevertheless added that both the government and the legislature are working toward revising relevant statutes so as to handle similar crimes more effectively.

The existing laws can only at best suspend license of the vessel and the crew, Leng noted.

A report from Washington Thursday said that June Sheng No. 8 was interdicted by the U.S. coast guard on July 3 south of Hawaii, with 147 illegal immigrants from Mainland China on board. The captain and another crew member were from Taiwan.

The U.S. Government returned the captain and a crew member of the vessel and hoped that Taiwan authorities will detain and prosecute them for alien smuggling.

Hong Kong

Official Says No Media Ban After 1997

HK1808073495 Hong Kong HONGKONG
STANDARD in English 18 Aug 95 p 4

[By Laura Chan in Beijing]

[FBIS Transcribed Text] A senior Beijing official in charge of Hong Kong affairs has vowed that none of the Hong Kong media will be banned from operating after 1997. Hong Kong and Macao Affairs Office deputy director Wang Feng-chao made the promise during talks with the visiting Hong Kong Newspaper Society delegation. "Mr Wang was asked whether Beijing did not want any of the existing media to continue after 1997," one member of the delegation said. He answered with a determined "No". The member, who wished to remain anonymous, quoted Mr Wang as saying that the Wah Kiu Daily had closed down for commercial, not political, reasons.

In June, reporters from a new Hong Kong Chinese newspaper were barred from reporting the Preliminary Working Committee meeting in Beijing, and uncertainty was expressed over whether this newspaper could exist after the handover.

The Newspaper Society delegation held talks yesterday morning with members of the All China Journalists' Association and the vice-chairman of the Standing Committee of the Eighth National People's Congress, Lei Jieqiong. Later delegates attended a lunch with Mr Wang.

Mr Wang told the delegation that China would not issue guidelines to Hong Kong's media after 1997. "Mr Wang was asked to react on whether the reports were true, but were not beneficial to a smooth transition. He said it was up to the media chiefs to weigh up (events). China would not interfere," the member said.

The member also cited Mr Wang as saying that the design of the Special Administrative Region passport was finished. Mr Wang said China had accepted some of the British proposals but declined to discuss the issue further.

Chairman of the Hong Kong Newspaper Society, Tang Lapyan, said they had discussed the guidelines on reporting in China with Mr Wang. Of the seven guidelines only three were in practice, Mr Tang said. "The three guidelines are as follows. We have to get the approval of the interviewee or organisation in China. Television reporters have to declare their equipment at customs before entry. All reporters must comply with the laws on the mainland," he said. "Our association thinks this is reasonable."

He said Hong Kong's regulations were different from the mainland ones, adding that people could not force China to accept Hong Kong's rules. Mr Tang said the delegation had not discussed whether the guidelines would be relaxed in future or whether new ones would be imposed. Today the delegates will meet Chinese Foreign Minister Qian Qichen.

Editorial Urges PRC To Join Test Ban Treaty

HK1808073295 Hong Kong HONGKONG
STANDARD in English 18 Aug 95 p 14

[Editorial: "Nations Must Insist China Joins Test Ban"]

[FBIS Transcribed Text] Big powers, by their very nature, seem the least sensitive to international opinion. That has been proven time and again even in modern times. China's underground nuclear test yesterday, the second in three months, is proof of this, if further proof is indeed necessary.

At a time when international concern is mounting over the revival of nuclear testing, China has thought it fit to conduct another test which is bound to sow doubt among the non-nuclear nations about the real intentions of those members of the exclusive nuclear weapons club.

At least it must be said for China that it carried out the tests in its own country, unlike the proposed French tests which will not be in Paris, or Marseilles or even Clermont Ferrand but in some distant Pacific land acquired through colonial aggrandisement.

It might also be said for China that it had not placed a voluntary moratorium on nuclear testing as the other club members did three years ago.

The new French President Jacques Chirac decided to break that moratorium by announcing the resumption of French nuclear testing, reversing his predecessor's decision.

All that, however, does not condone China's decision to carry out another test just three months after the previous one, which inappropriately came less than a week after the international community extended indefinitely the Nuclear Non-Proliferation Treaty (NPT).

Coming on top of the French announcement, this latest test is bound to increase the suspicions of non-nuclear nations that total disarmament, which they envisaged when they signed the NPT in May, might be light years away instead of early in the 21st century.

Australia and New Zealand, which have been in the forefront of the international protests against the French, articulated these fears in statements shortly after news of yesterday's test was made known.

The pity is that China was present at this month's Association of Southeast Asian Nations (Asean) Regional Forum in Brunei which unambiguously condemned nuclear testing which detracted from international attempts at achieving a nuclear-weapons-free world.

Particularly at a time when regional countries are becoming wary of China's growing military strength which would enable it to project power far beyond its borders, one might say that this test is ill-timed and would not help Beijing's image in the region.

The non-nuclear world should now insist that the nuclear weapons states make an unequivocal and unambiguous commitment that they will help write into the Comprehensive Test Ban Treaty (CTBT) that is now being negotiated, a complete prohibition on nuclear testing as a prelude to the total dismantling of nuclear arsenals.

That is the only way the nuclear powers will convince others that they will match their words with action to rid this world of those dreaded weapons of mass destruction.

PWC Panel Discusses Civil Service Issues

OW1808095495 Beijing XINHUA Domestic Service in Chinese 1049 GMT 17 Aug 95

[By reporter Fang Jin (2455 3866)]

[FBIS Translated Text] Beijing, 17 Aug (XINHUA) — The Political Affairs Subcommittee of the Preliminary Working Committee [PWC] for the Hong Kong Special Administrative Region [SAR] Preparatory Committee held its 19th meeting in Beijing on 16 and 17 August. The meeting discussed several issues regarding the smooth transition of Hong Kong's civil servants.

PWC members discussed a report of a study submitted by the Civil Servants' Affairs Task Force to the PWC's Political Affairs Subcommittee. To adopt a systematic and methodical approach, they maintained that a further exchange of views was needed regarding the continued employment and retention of civil servants, the assumption of civil service posts by non-Chinese citizens or people with the right of abode in foreign countries, and some issues on basically maintaining Hong Kong's existing civil service system.

During the meeting, PWC members also discussed the retention of Hong Kong's existing special bodies in charge of civil servants' affairs, remuneration for Hong Kong's civil servants, and the question of petitions. They maintained: Existing special bodies in charge of civil servants' appointment, remuneration, and condi-

tions of service should be retained after 1997, and their members should be appointed by the SAR chief executive. Regarding post-1997 benefits and remuneration for civil servants, PWC members maintained: According to the provisions of the Hong Kong Basic Law, the SAR Government will pay personnel who retire or leave the service in compliance with the relevant provisions, including retirees before 1997, or their dependents pensions, allowances, and benefits due them on terms no less favorable than the existing ones. Regarding the question of petitions, PWC members maintained: Civil servants used to file petitions with the British Government through the Hong Kong governor. To implement the policy of letting the people of Hong Kong govern Hong Kong and of granting a high degree of autonomy to the region, the Hong Kong SAR Government should deal with petitions filed by civil servants after 1997, and these petitions need not be filed with the central government.

PWC members also maintained: As 1997 draws near, various departments under the Hong Kong Government and relevant departments on the mainland, as well as civil servants in the two regions, should increase contacts and exchanges to enhance mutual communication and understanding.

Seminar on Economic Ties With PRC Slated for Oct

OW1708134995 Beijing XINHUA in English 1332 GMT 17 Aug 95

[FBIS Transcribed Text] Beijing, August 17 (XINHUA) — A seminar on economic ties between China's mainland and Hong Kong is expected to be held in Beijing from October 26 to 27.

The "Beyond 1997" seminar is to be jointly sponsored by the China Council for the Promotion of International Trade, the Hong Kong and Macao Affairs Office under the State Council, and the Hongkong Chamber of Commerce in China.

It has been learned that the discussion will mainly involve trade and economic relations between the two after China resumes the exercise of sovereignty over Hong Kong in 1997, with four main topics to be:

—financial relations and policies and possibilities and approaches for future financial cooperation;

—the basic structure of two-way trade and economic relations, as well as measures to ensure implementation of such policies on the basis of the "One Country, Two Systems" policy;

—implementation of tax policies and the matter of double taxation;

—improving the legal systems of the two sides and discussing how to make improvements.

Over 300 people from industry and commerce from both the mainland and Hong Kong will participate in the seminar. Chinese government officials are also scheduled to deliver speeches.

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